

Aareon Annual Report 2021

Pioneering Tomorrow



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➔ The annual report is also available [online](#)

Pioneering Tomorrow

By thinking and acting in a progressive, sustainable and collaborative manner, we are working today to shape the success of tomorrow – for our customers, partners and the entire property industry. This is the pioneering, future-focused conviction that Aareon holds as a technology and industry leader. By systematically fostering transformation and growth, we make it possible to develop innovative, people-centred solutions. In the process, we pave the way for responsible living and work spaces – for the benefit of all.

Fiscal 2021

Revenues growth
Digital Solutions at

23 %

(excl. Consulting)

Research and Development

**€ 52.4
million**

IFRS key indicators (in € million)

	2021	2020	Change ¹⁾
Revenues	269.3	258.1	4.4%
Of which international	105.1	94.2	11.6%
Adjusted EBITDA	66.8	62.1	7.5%
Consolidated net income after tax	-0.6	17.9	-103.4%
Total assets	546.1	380.0	43.7%
Equity	209.0	201.0	4.0%
Cash flow from operating activities	36.2	55.6 ²⁾	-34.9%
Cash flow from financing activities	119.6	-11.7 ²⁾	n/a
Research and development expenses	52.4	41.9	25.1%
Number of employees (as at 31 December)	2,010	1,795	12.0%
Of which international	875	752	16.4%

1) For arithmetical reasons, rounding differences may occur.

2) Restated



SaaS campaign

Successful start of campaign in Germany

20 years Mareon

Aareon's first digital SRM solution

More than

31,000

Green Consulting days



6

Mergers & Acquisitions realised

Marketing launch of AI-based digital solution

PrediMa

Aareon at a glance

Aareon is the leading provider of ERP software and digital solutions for the European property industry and its partners. The company is digitalising the industry by offering user-oriented software solutions that help make people's lives and work easier and facilitate greater value creation.

Our values



Pioneering the journey

Always at the forefront: with our technical expertise and innovative spirit, we anticipate our clients' needs and enable them to realise their goals.



Securing success

Our stakeholders can trust in their future: as an experienced and reliable partner, we assist with all challenges and ensure success.



Driven by value outcomes

Together we achieve more: in close cooperation, with a shared vision and a clear drive, high value is delivered for all stakeholders.

9

countries

Aareon has its headquarters in Mainz, Germany, and offices in Austria, Finland, France, the UK, the Netherlands, Norway, Sweden and Switzerland.

>7,000

customers

use Aareon's software solutions and benefit from the digital transformation of their companies, managing over 12 million units in total.

>2,000

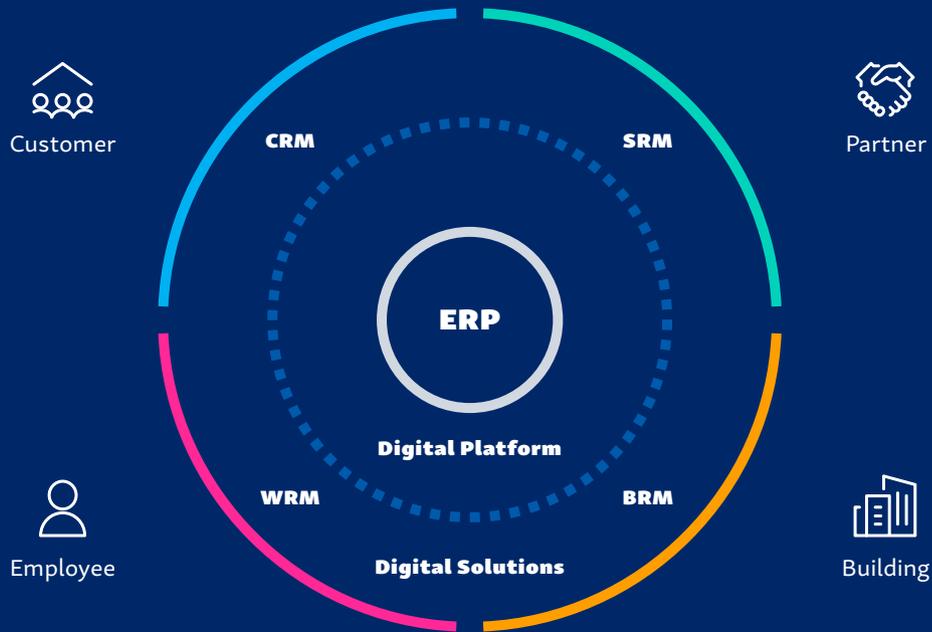
employees

of different nationalities and from different cultures and age groups are the key to our success. They have the necessary IT and property-industry expertise, are innovative and dedicated alike, and always remain focused on the customer.

64

years of success

Aareon has done pioneering work ever since the data centre was first founded in 1957. Today, for good reason, it has become the software expert for the property industry.



Aareon Smart World

Aareon Smart World, an integrated digital ecosystem with country-specific ERP systems at its core, connects property companies and their employees with customers, business partners and technical equipment in flats and buildings through numerous digital solutions. The Digital Platform links all ERP systems with Aareon’s digital solutions to make for optimum interaction, thereby ensuring seamless end-to-end processes for the different stakeholders. Aareon Smart World thus maps the entire value chain of the property industry in a single ecosystem – enabling companies to manage their complex system of relationships more easily, transparently and efficiently.

Learning from data

Artificial intelligence can be used to gain valuable information and insights from huge volumes of data for the predictive maintenance of buildings.

[➔ To the online journal](#)



More added value – with a focus on security

Aareon is relying more heavily on software as a service as it supports its customers on the digital transformation journey.

[➔ To the online journal](#)



Adding value together

Elke Wolff and Dr. Roland Claussen discuss the art of successful company integration, cognitive diversity and adding value for customers.

[➔ To the online journal](#)



Technology for greater sustainability

Aareon is supporting the energetic reorganisation of the building sector with the help of smart software, investments in promising start-ups and the consistent reduction of its own CO₂ emissions.

[➔ To the online journal](#)



Preface of the Management Board

Dear Readers,

Shaping tomorrow's world today: "Pioneering Tomorrow" sums up Aareon's ambition. The past fiscal year in particular has seen us set the course for the years to come in a number of significant ways. We want to help our customers leverage future opportunities, which is why we have invested extensively in the further user-centric expansion of our Aareon Smart World portfolio – taking account of new technologies such as artificial intelligence. We spent € 52 million on research and development (2020: € 42 million). We also started to implement our Value Creation Program developed together with our shareholders Aareal Bank and Advent International. As regards another strategic objective, that of inorganic growth, our six acquisitions in 2021 put the spotlight on our professional Mergers & Acquisitions (M&A) and Post-Merger Integration (PMI) organisation. Although the Covid-19 pandemic continued throughout the year, we succeeded in posting a record result with adjusted EBITDA of € 67 million (previous year: € 62 million), thanks to our stable business model. We achieved a 4% year-on-year increase in consolidated revenues, which reached € 269 million (2020: € 258 million).

Aareon Smart World expanded: course set for the future

The country-specific ERP solutions are at the heart of the Aareon Smart World portfolio and offer significant cross-selling potential, as our customers establish their own company-specific digital ecosystem in the course of their digital transformation process. As a reliable, forward-looking software partner, we have started to raise our ERP systems to a new level of development over the past two years, ensuring that future product generations will be cloud-enabled and available as software as a service. What's more, the deployment of new technologies such as Business Intelligence will enable the development of further user-centric functionalities for our customers that offer real added value. A pioneering role has been played by the new product generation Wodis Yuneo, launched in 2020 and marketed intensively throughout 2021 – among other things in conjunction with measures from our Value Creation Program. The latter included offer packages tailored precisely to demand and offering a varied scope of services, as well as the use of software as a service from the Aareon Data Centre. The new product generation also performed impressively in the ERP Architecture category at the "ERP System of the Year" competition run by the Center for Enterprise Research. Further new ERP product generations are being developed for the UK and France.

In addition to solutions for the housing industry, Aareon also offers commercial real estate (CRE) management solutions, such as the ERP systems REMS in the Netherlands and RELion in Germany, Austria and Switzerland. As part of the planned further penetration of this segment, we have implemented a CRE Competence Centre.

→ [Learning from data: how Aareon makes use of artificial intelligence – details in our online journal.](#)

In the Digital Solutions product group, the focus was on the development and marketing of new applications as well as on cross-selling. PrediMa, the new AI-based solution for the predictive maintenance of property holdings, is currently at the marketing stage. Like Aareon's virtual assistant Neela, PrediMa is a digital solution that leverages artificial intelligence. We have also developed and started to market the Digital Agency, an end-to-end solution designed to support the entire tenant life cycle. In Germany, the revised Heating Costs Ordinance gave rise to important new legal requirements. Thanks to the interaction between the CRM portal/app and vacancy management solutions from Aareon Smart World, we were quickly and easily able to offer our customers an EED-compliant application to satisfy the property industry's new information obligations vis-à-vis tenants.

➔ **Technology for greater sustainability: how the energetic reorganisation of the building sector can succeed – details in our [online journal](#).**

The issue of reducing CO₂ emissions is now being debated on the international political stage and presents the sector with a number of challenges. At Aareon, our objective is to help our customers meet energy efficiency targets with our solutions. Aareon subsidiary CalCon Deutschland GmbH, for instance, has launched its digital solution AiBATROS® for energy and CO₂ analysis, enabling managers to develop their property holdings in a targeted and future-oriented fashion by means of an automated energetic renovation process. And Aareon's subsidiary Ampolon staged the Decarbonize Real Estate Challenge for start-ups with a view to providing a platform for further innovative solutions for the reduction of CO₂ emissions.

Even though we are already looking ahead to the future, let us cast our minds back to the past briefly at this point. The 20-year anniversary of Mareon marked a very special milestone: the service portal was the Aareon Group's first web-based digital solution and the starting point for the establishment of digital ecosystems. Mareon is still successfully connecting property companies with tradespeople to this day, having dealt with over 30 million orders in process-optimised, paper-saving fashion.

➔ **More added value – with a focus on security: how SaaS is becoming increasingly relevant – details in our [online journal](#).**

Value Creation Program: implementation successfully under way

Our Value Creation Program is designed to accelerate Aareon's growth. One focus of its implementation in 2021 was the switch to process-oriented offer packages that are tailored to customers' demands and simplify the product offering. Another focal point was the changeover from on-premises to SaaS or subscription services, making software use even more convenient for customers as well as offering them greater planning reliability. This resulted in a higher percentage of recurring sales revenues at Aareon. The associated marketing got under way in Germany for the new ERP product generation Wodis Yuneo. Numerous customers have already opted for both the offer packages and for an SaaS model. Another key project was the optimisation of market access and market organisation (go-to-market strategy), with the aim of acquiring new customers and tapping into new market segments. Measures for the increased automation of marketing processes have already been implemented on the basis of an analysis of the status quo. Other aspects of the Value Creation Program included the investigation of nearshoring options and the optimisation of operative processes in software development.

➔ **Adding value together: the secret to success of M&A projects – details in our [online journal](#).**

Inorganic growth through M&A: six acquisitions completed

With a view to realising inorganic growth potential, Aareon's management is constantly assessing possible acquisition targets and identifying opportunities that are then pursued systematically over time. The Transactions & Corporate Development and Post-Merger Integration teams are responsible for successful acquisitions and their integration in the Aareon Group, working closely with the relevant specialist departments to this end. We ultimately acquired six companies in 2021. In Germany, Austria and Switzerland (DACH region), we added the ERP system immotion® to our ERP product portfolio with the acquisition of GAP Gesellschaft für Anwenderprogramme und Organisationsberatung mbH (GAP-Group), Bremen, in October. Munich-based wohnungshelden GmbH was acquired in August. This start-up offers a software solution that can be used by housing companies to digitalise their entire letting process, so its acquisition enables Aareon to develop its cross-selling potential.

In the UK, Aareon tapped into a new segment – the SMB market – with three acquisitions. It closed the deal to take over Arthur Online Ltd., London, in January, having signed the contract in December 2020. This company offers a SaaS ERP solution for property management. The acquisition of Tactile Ltd. (Fixflo), London, in May enabled Aareon to add property repair and maintenance software to its UK product range. And July saw the acquisition of RentPro Ltd. and Curo Software Ltd., both based in Warrenpoint and operating under the name Tilt Property Software (Tilt).

In the Netherlands, Aareon tapped into the market segment for property management under the German Residential Property Act (WEG) in May with the acquisition of BriqVest B.V. (Twinq), Oosterhout, a provider of software for the shared ownership property management sector. This acquisition offers cross-selling potential with solutions from Aareon Smart World.

Outlook: generating further added value for tomorrow

In 2021, we created an excellent basis on which to step up the pace of our growth. We will continue with our intensive marketing efforts in respect of the new ERP product generations, benefitting from the automation of marketing processes as we go. This is likewise true of the digital solutions. We are making good progress in our ongoing transformation into a company that offers software as a service and here, too, will redouble our efforts. We will also continue to implement the other sub-projects of our Value Creation Program.

Our successes in M&A will be continued, with the conclusion of further takeovers in the pipeline. The cross-selling and synergy potential generated by the companies acquired in 2021 will be pursued further. In January 2022, for instance, BriqVest B.V. (Twinq) was merged with Aareon Nederland B.V. The UK companies we acquired will be brought together in Aareon SMB Hub UK Ltd. for the newly tapped market segment of small and medium-sized property companies under higher-level management.

The future challenges for the sector are many and varied: a reduction in CO₂ emissions, affordable housing, demographic change and new ways of working and living. As a technological leader and industry expert, we want to be the driving force behind the development of solutions for the future in collaboration with our customers and partners. We extend our warm thanks to all those involved in this development process for their ground-breaking cooperation.

Best regards



Dr. Manfred Alflen



Dr. Imad Abdallah



Sabine Fischer



Dr. André Rasquin



Christian M. Schmahl

Management Board



Dr. André Rasquin
Chief Operations Officer



Sabine Fischer
Chief Market Officer



Dr. Manfred Alfien
Chief Executive Officer



Christian M. Schmahl
Chief Financial Officer



Dr. Imad Abdallah
Chief Digital and Ventures Officer

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Group business fundamentals

Aareon is a provider of ERP software and digital solutions for the European property industry and its partners. The company is digitalising the property industry by offering user-oriented software solutions that simplify and automate processes, support sustainable and energy-efficient operations and interconnect all process participants. In its research and development activities, Aareon pursues a collaborative approach in which its knowledge and expertise converge with the needs and requirements of its clients. This results in solutions that help make people's lives and work easier and enable companies to realise new value-creation potential. The Aareon Group is an international company with offices in the DACH region (i.e. Germany, Austria and Switzerland) and in Finland, France, the United Kingdom, the Netherlands, Norway and Sweden. In addition, Aareon operates its own development company in Romania.

Aareon AG is a majority-owned subsidiary of Aareal Bank AG, Wiesbaden. AI Houses (Luxembourg) S.à r.l., Luxembourg – a company owned by Advent International Corporation, Boston, USA – has a key non-controlling interest in Aareon.

Aareon's portfolio

The enterprise resource planning (ERP) systems marketed in each of its footprint countries form the linchpin of Aareon's digital ecosystem, Aareon Smart World. Aareon's ERP systems provide support for the business processes of our property industry customers, e.g. to achieve process efficiency and quality and assist in business management and risk management. These systems enable customers to organise not only their core processes, but all their key customer relationship and portfolio management processes, e.g. contract and receivables management as well as reporting solutions for providers of commercial property. With its ERP systems, Aareon aims to safeguard its customer base and to generate a stable volume of business in the long term, resulting in recurring revenues – also from the cross-selling of digital

solutions. In many cases, Aareon's customer relationships have been in place for decades. The ERP systems are subject to constant technological refinement. Within Aareon Smart World, these systems can be linked to the ever-expanding portfolio of digital solutions via the digital platform. New and existing customers utilise these integrated digital solutions to interconnect with stakeholders and employees (WRM – workforce relationship management), with their own customers (CRM – customer relationship management) and with suppliers (SRM – supplier relationship management) as well as with technical devices in apartments and buildings (BRM – building relationship management). That makes it possible to redesign and optimise processes.

The Aareon Group reports on two segments: DACH and International Business. The DACH segment comprises the Group's operations in Germany, Austria and Switzerland.

In both the DACH and International Business segments, Aareon offers software solutions that can be accessed in different modes: on the one hand, software as a service (SaaS) and hosting from the exclusive Aareon Cloud and, on the other, in-house hosting on the customer's premises. The trend towards SaaS remains unbroken. With both SaaS and hosting from the Aareon Cloud, the customer data is stored in Aareon's certified Data Centre in Mainz, guaranteeing both data security and data protection (see section "Quality and security standards", p. 28). With in-house hosting, the customer is granted a licence to use the software after a thorough consultation phase. Further assistance is generally provided under a fee model that includes not only maintenance and ongoing software development, but also regular software support. This generates ongoing revenues over the contract term.

In the DACH segment, Aareon markets ERP products for the housing industry and commercial-property sector. Products deployed in the housing industry include, in particular, Wodis Yuneo – the new product generation of Wodis Sigma –

and Aareon's SAP® solutions (including Blue Eagle). With its acquisition of GAP-Group in October 2021, Aareon added that company's immotion® ERP system to its ERP product portfolio in Germany. In the commercial-property sector, and with customers who manage both commercial-property and residential-housing assets, Aareon has a particular presence with its ERP product RELion. In addition, the company offers Aareon Cloud Services and the BauSecura insurance management solution in the DACH region.

In the International Business segment, Aareon's subsidiaries each offer their own country-specific ERP products. In the Netherlands, Aareon Nederland markets products to the social-housing industry, such as the SaaS solution Tobias 365 (based on Microsoft® Dynamics® 365), the new product generation of Tobias AX. BriqVest B.V. (Twinq), which Aareon acquired in May 2021, offers ERP software for the Dutch shared ownership property management sector. Aareon Nederland sells the ERP solution REMS in the commercial-property market. This solution has also been offered as the Microsoft-based REMS 365 package since 2021. The ERP products Prem'Habitat and PortalImmo Habitat are marketed by Aareon France. In the UK, Aareon UK markets the ERP product Aareon QL, with its new iteration QL Next Generation. In January 2021, the company acquired Arthur Online Ltd., which offers an SaaS property management solution that unites property managers, owners, tenants and contractors on a single platform. In July 2021, Arthur Online Ltd. in turn acquired RentPro Ltd. and Curo Software Ltd., which operate in the UK property market under the brand name Tilt Property Software. The migration of these companies' customers to Arthur Online's SaaS solution has been in progress since Q4 2021. In Scandinavia, Aareon Sverige and its subsidiaries Aareon Norge and Aareon Finland market the ERP product Aareon Incit Xpand with an integrated BIM (building information modelling) solution. Aareon Sverige also provides its customers with fact books – reference works containing standard information on operating and maintenance costs.

Overview of acquisitions in 2021

Product	Company
Arthur Online	Arthur Online Ltd.
Fixflo	Tactile Ltd.
Tilt	RentPro Ltd.
	Curo Software Ltd.
Twinq	BriqVest B.V.
	Twinq Holding B.V.
	Twinq Facilitair B.V.
	Twinq Uitwijk en Escrow B.V.
	Twinq Verkoop en Service B.V.
wohnungshelden	wohnungshelden GmbH
GAP	Gesellschaft für Anwenderprogramme und Organisationsberatung mbH
	Alexander Quien Nova GmbH
	ImmoProConsult GmbH

Aareon also acquired the remaining shares in office rental PropTech OFI Group GmbH, based in Frankfurt am Main, making it that company's sole owner. Aareon previously held just under 36% of the shares in this online platform for office rentals.

In Aareon Smart World, the ERP products on offer in the DACH and International Business segments can be linked to the digital solutions via the digital platform. The offerings include WRM (workforce relationship management), CRM (customer relationship management), SRM (supplier relationship management) and BRM (building relationship management).

WRM products offer property companies greater process efficiency and help simplify their employees' day-to-day work. Mobile solutions make it easier for field staff to handle commissioning, safety checks, apartment handovers and portfolio data maintenance, and to process customer transactions.

CRM solutions support and simplify processes between tenants or property owners on the one hand and property companies on the other – from searching for a place to live and moving in through to service enquiries and changes of residence. Aareon's CRM solutions enable property companies to offer self-services to their customers, so that they can access documents such as rental agreements and applications to keep pets and utility bills as well as viewing contract data and printing out tenant certificates for the registration authorities. Furthermore, tenants are able to submit damage reports, check the status of tickets and find out to what extent their issue has already been processed. Neela, an AI-based virtual assistant, communicates autonomously with tenants, answers standard questions and can liberate resources previously tied up with routine tasks. The digital solution marketed by wohnungshelden GmbH, the company Aareon acquired in August 2021, enables housing companies to digitalise their entire rental process. Thus, Aareon's new ImmoBlue Pro solution complements its existing product portfolio for rental processes.

SRM products make for seamless collaboration between service partners. With the help of these digital solutions, employees tasked with commissioning tradespeople can, for example, coordinate their work efficiently and provide them, via mobile devices, with all the information they need to do their jobs. Service-partner orders, documents and invoices can be organised online – in a quick, transparent and paperless manner. Moreover, thanks to the integrated use of data from CRM and ERP solutions, property companies are able to generate orders for partner companies on the basis of their digital contact with the customer. The status of repair orders, for example, can then be reported back to the owners via the portal. Communication, administration and maintenance thus fit together seamlessly on a digital basis. Customers from both the property and energy industries can

profit from this integrated portfolio. Through the interplay of vacancy management and the CRM app/portal – at the interface between SRM and CRM solutions – Aareon also offers its customers an EED-compliant application that satisfies the property industry's new information obligations towards tenants in Germany.

The purpose of BRM products is to professionalise building management. These solutions enable property companies to record and analyse all their property-related data in a uniform manner and leverage it in order to optimise their processes. That data can help them to manage their portfolios more easily and to plan for the future. A further advantage of digital apps is that employees on site at a property can access all the data they require via a tablet or smartphone and therefore have precise information about the property's equipment, features, condition and maintenance cycles at their fingertips. They can also update the portfolio data in real time. In May 2021, Aareon expanded its BRM product portfolio in the UK by acquiring Tactile Ltd., which markets the Fixflo software package for property repairs and maintenance. Fixflo offers a best-in-class SaaS solution that brings together property management companies, owners, tenants and contractors on a dedicated SaaS platform to deal with property repairs and maintenance, and that optimises business processes across the board. In September 2021, CalCon Germany launched its new digital solution AiBATROS® Energy and CO₂ Analytics. With the aid of its mobile data-capture app, the solution makes it possible to perform standardised assessments of the current structural status of vacant units and to generate and cost different maintenance options.

In the Netherlands, Aareon Nederland deploys the Trace & Treasury product, which can be used to manage cash and draft business plans when managing assets.

At Aareon, development is focused not only on the individual business segments, but also on new products. One example is Digital Agency, which was developed with cooperation partners. This solution maps, in fully digital form, the CRM housing (search) processes along the tenant life cycle. PrediMa, a new BRM solution for predictive maintenance and repairs, is another product developed together with cooperation partners. It utilises portfolio data, sensors and artificial intelligence to automatically identify and report damage to a property's exterior and interior, and to take preventive action. PrediMa can, for instance, make recommendations that help the property management company make decisions on what repairs or maintenance are needed and when. Where necessary, it can also trigger the right processes of its own accord.

Aareon's ERP systems, digital solutions and cloud services compete with those of other companies, both in national and international markets. Aareon's competitors include providers of proprietary industry products, SAP® partners and, increasingly, PropTech companies offering individual digital solutions. Aareon's marketing strategy focuses on Aareon Smart World, its integrated product portfolio, and accompanying consulting services. Aareon Smart World brings together property companies' stakeholders and makes for end-to-end processes.

Goals and strategies

Aareon pursues an international growth strategy, the objective of which is to transform Aareon into an SaaS company that fulfils the Rule-of-40 criteria by 2025. The Rule of 40 is a metric common in the technology sector, where it is used to measure performance and to assess the quality of the

business model, which upon achieving the Rule-of-40 threshold, shall reflect a higher valuation. The metric is calculated based on revenue growth and the EBITDA margin. This combined figure should be 40% to reflect an even balance between growth and profitability.

In order to become a Rule-of-40 company by 2025, the Value Creation Program (VCP) was developed in late 2020 to supplement the company's existing growth strategy for operating business. The objective of the VCP is to optimise Aareon's business model and associated processes. The VCP comprises several components:

- Go-to-market strategy: optimising the market launch of products, with a focus on new customers and cross-selling/upselling, and expanding the range of value-added package solutions for customers – while simultaneously supporting the digitalisation of the industry.
- Accelerating the transformation into an SaaS company: ongoing expansion of the existing SaaS portfolio that is convenient for the customers. That will also further increase the share of recurring revenues in the portfolio.
- Efficiency in software implementation: highly efficient software implementation can speed up growth.
- Operational excellence: identifying and utilising potential organisational value drivers that can support growth.
- 360One: improving reporting by establishing what is known as a "data lake". Similarly, increased automation and standardisation should help enhance back-office performance.

Further mergers and acquisitions will help unlock additional growth potential beyond the Rule of 40. In this context, Aareon will also benefit from its M&A network and the expertise of its minority shareholder Advent International to accelerate the company's growth and enhance its value.

Consequently, the Aareon growth strategy, which is mapped out in the Aareon Flight Plan along with its strategic action areas, is based on

- expanding operational business
- implementing the VCP
- achieving inorganic growth through mergers and acquisitions

Expanding operations

ERP solutions form the core of Aareon's portfolio. Aareon invests in the ongoing technological evolution of its ERP systems. The Aareon Group's aim is to ensure its future ERP product generations are cloud-enabled and available as software as a service. What is more, these products need to be compatible with leading-edge technologies (business intelligence, artificial intelligence, machine learning, robotics), user-oriented and capable of offering new – e.g. self-learning – functionalities. To this end, a Group-wide project (ERP 2025) was set up back in 2019. As part of this project, the new ERP product generation Tobias 365 was launched in the Netherlands in the same year. September 2020 saw the launch in Germany of the new product generation Wodis Yuneo, marketing of which was ramped up further in 2021, e.g. with the launch of process-oriented product packages that are tailored to customers' individual requirements and simplify customer-side offerings. On the marketing front, the focus was also shifted to SaaS and subscriptions (see section "Business performance", p. 31). Another component of the corporate strategy is the gradual transition of the licensing model with the subscription model, which will lead to an ever greater share of recurring revenues. Further ERP product generations are under development. On top of that, regular new releases will be provided for existing product generations in all countries.

The growth strategy also aims to achieve greater penetration of the commercial real estate (CRE) market. Aareon already

has a presence in this market with its ERP solutions REMS and RELion as well as its digital solutions Trace & Treasury, Facilitor and AiBATROS®. Aareon did further groundwork in this segment in autumn 2021, creating a CRE Competence Centre along with the role of CRE Market Officer. This puts a special focus on this market segment that will leverage further market potential.

ERP systems offer potential for cross-selling. After all, customers often supplement their ERP systems with further digital solutions step by step, thus building up their own proprietary digital ecosystems. The company is investing to broaden its portfolio of digital solutions in order to fully exploit the potential offered by the digital transformation. Dedicated in-house R&D teams are expanding these solutions so that knowledge can be transferred across the Group – as already happens with the ongoing development of ERP systems. In this context, Aareon has also launched a user-centric form of collaboration with its customers and partners (see section "Aareon's portfolio", p. 22). Further products – e.g. Digital Agency, PrediMa and AiBATROS® Energy and CO₂ Analytics – were developed and marketed in 2021, and will help the company implement its digital growth strategy going forward (see section "Aareon's portfolio", p. 22).

Partnerships with start-ups are another way of growing the company's digital portfolio. Aareon has collaborative partnerships with PropTechs and enjoys close connections with the PropTech scene via its subsidiary Ampolon (AV Management Gesellschaft mbH). It is also the co-founder of joint ventures such as Refurbio GmbH, Berlin, with its digital interior design consultancy foxxbee, and Ecaria GmbH, Berlin, whose product of the same name provides digital support for people caring for family members. In addition, with its API marketplace Ampolon Connect, Ampolon enables innovative start-ups, grown-ups and property industry companies to integrate their solutions into the property industry's IT ecosystems faster, more easily and with greater scalability.

APIs are application programming interfaces for the technical integration of different software systems. Ampolon also launched the pan-European Decarbonize Real Estate Challenge in 2021, the aim of which is to find start-ups whose digital solutions help make the property industry more sustainable.

In the Netherlands, Aareon holds a direct stake in OSRE B.V. (a digital platform for property transactions). The non-controlling interest in PropTech Immomio (a digital rental platform) was sold in autumn 2021 to W&W brandpool GmbH, Stuttgart, as part of the realignment of the company's product portfolio in relation to digital rental processes. Aareon also holds shares in its strategic partners blackprint Booster and blackprint Booster International, which support future-oriented start-ups in the property environment.

Implementing the VCP

One point of focus of the Value Creation Program (VCP) in 2021 was on offering customers process-oriented ERP product packages or packages of digital solutions that are tailored to their individual requirements and simplify customer-side offerings. At the same time, emphasis was placed on the shift to SaaS and subscription models, which increase the share of recurring revenues. An associated marketing campaign was launched in Q2 2021, initially in Germany, for the new ERP product generation Wodis Yuneo. Even in the initial months of the campaign, Aareon succeeded in convincing a number of customers of the benefits of the product packages. In Q3 2021, the campaign was extended to selected customers in the Netherlands and France. Another point of focus of the VCP was on optimising the operational processes of software development. Nearshoring options were analysed and taken up. The key project in 2021 involved optimising market access and market organisation (go-to-market project). The goal here was to win over new customers, tap new markets and promote both upselling and cross-selling. As part of the go-to-market project, an in-depth analy-

sis of the status quo of sales and marketing processes was conducted in 2021 – also with the aid of external specialists. Various action points were identified, including making Aareon's sales and marketing processes more automated and data-based in future. The analysis also resulted in the creation of the CRE Competence Centre and the position of CRE Market Officer in 2021.

Achieving growth through mergers and acquisitions

A key part of the growth strategy lies in exploiting the potential for inorganic growth. That is why Aareon's management is constantly performing a thorough analysis of potential acquisition targets and identifying opportunities. Such opportunities are pursued in a systematic manner so as to be able to add more value for customers through an expanded product portfolio. Working closely with the relevant specialist departments, the Transactions & Corporate Development and Post Merger Integration teams are responsible for successful mergers and acquisitions, and for integrating the acquired companies into the Aareon Group. As a result, Aareon completed several acquisitions in 2021.

In the UK, Aareon tapped into a new segment, the SMB (small and medium-sized businesses) market, through three acquisitions: after the contract signing in December 2020, the deal to take over Arthur Online Ltd., London, was closed in January 2021. The company offers a best-in-class SaaS ERP solution for property management that brings together property managers, owners, tenants and contractors on a single platform. The full acquisition of UK-based Tactile Ltd. (Fixflo), London, in May 2021 enabled Aareon to add property repair and maintenance software to its UK product range. Fixflo offers a best-in-class SaaS solution that brings together property management companies, owners, tenants and contractors on a dedicated SaaS platform to handle property repairs and maintenance and that optimises business processes across the board. In early July came the announcement of the acquisition of RentPro Ltd. and Curo Software Ltd.,

both based in Warrenpoint and operating under the name Tilt Property Software (Tilt). Tilt's customers are being migrated to Arthur Online's ERP solution.

In the Netherlands, in May 2021, Aareon tapped into the market segment for shared ownership property management with the full acquisition of BriqVest B.V. (Twinq), Oosterhout. Twinq offers a variety of state-of-the-art, web-based customer portals, including portals for owners, collection services and contractors. These help customers reduce the administrative effort of property management. This acquisition offers cross-selling potential in relation to Aareon Smart World.

In the DACH segment, Aareon took over wohnungshelden GmbH, Munich, in August 2021. This company has a software solution that allows housing companies to digitalise their entire letting process, from marketing a property and managing prospective tenants and appointments all the way to contract conclusion. In October 2021, Aareon added the ERP system immotion® to its ERP product portfolio with the acquisition of GAP Gesellschaft für Anwenderprogramme and Organisationsberatung mbH (GAP-Group), Bremen. These recent acquisitions have helped Aareon strengthen its market position in Germany and expand its cross-selling potential. Aareon also acquired the remaining shares in office rental PropTech OFI Group GmbH, based in Frankfurt am Main, making it that company's sole owner. Aareon previously held just under 36% of the shares in this online platform for office rentals.

Quality and security standards

Data security and data protection are pivotal at Aareon. Numerous clients in Germany and abroad make use of Aareon solutions as a service from the exclusive Aareon Cloud – meaning that their data is stored solely in the Aareon Data Centre and at a backup location in Germany. Aareon IT Service Centre operations are regularly audited for compliance with the PS 951 nF auditing standard of the Institute of Public Auditors in Germany (IDW). The TÜV Saarland Group, a technical inspection agency, re-certified the Aareon Data Centre until the end of 2022 ("Certified Computer Centre Network – Fail-Safe Level 4"). Since 2010, Aareon has voluntarily submitted to regular external data-protection audits in accordance with Section 9a of Germany's Federal Data Protection Act (BDSG). In 2019, the corresponding re-certification process was performed by the technical inspection agency TÜV Rheinland i-sec GmbH; the certificate it issued is valid until 2022. TÜV Rheinland i-sec GmbH recognised Aareon as a "service provider with audited data protection management". Aareon's system of information security management complies with the internationally recognised ISO/IEC 27001:2013 standard. Following a re-audit in 2017, the certification was extended until December 2023.

Research and development (R&D)

Collaborative R&D activities form the foundation for the ongoing expansion and technological evolution of the Aareon Smart World digital ecosystem. These activities are designed to be user-centric, with the focus on adding value for

customers and business partners alike. Aareon adopts the co-creation approach and takes design-thinking methods into account. In addition, Aareon's international reach means its R&D benefits from specific points of focus for digitalisation in different countries and from the associated expertise of its subsidiaries in these areas. Aareon adopts an agile approach to development in order to carry out intensive testing at an early stage and take the step from idea to prototype as quickly as possible. Its international development teams take social, legal, economic and technical factors into consideration, integrating them into new and existing solutions.

What is more, information gained from the day-to-day dialogue with customers is fed back into the company's R&D activities. Aareon constantly gauges the requirements of its customers by talking to them – e.g. by means of institutions such as customer advisory councils as well as through regular Group-wide customer surveys.

Researchers take new technologies and their integratability into account where such technologies could be of benefit to the property industry. April 2021 saw the market launch of PrediMa, the new BRM solution for predictive maintenance. In June 2021, the company began marketing Digital Agency, which integrates a wide variety of CRM sub-processes into a solution covering the entire tenant life cycle. Prior to that, in late 2020, Aareon had commissioned InWIS Forschung & Beratung GmbH, a property industry research institute, to conduct a representative study of predictive maintenance products in the German housing industry. In September 2021, CalCon began marketing its new digital solution AiBATROS®

Energy and CO₂ Analytics. (For more information on new products, see the section "Aareon's portfolio", p. 22). In addition, the Centre of Competence for Business Intelligence in ERP Systems was set up in 2021 as part of the ERP 2025 project. The goal is to develop new solutions to optimise data usage.

R&D expenses can be broken down into the development of new product generations, updates, the maintenance and upkeep of existing functions as well as the ongoing development of new functions and the creation of new products. Total expenditure of the R&D teams came to € 52.4 million in 2021 (2020: € 41.9 million). Some of the capital spent on developing new functions and products for our customers had to be recognised in the balance sheet. The capitalisation rate as a percentage of total expenditure was 44%. Amortisation of internally generated software amounted to € 6.5 million. Aareon utilises the services of third parties for the purposes of R&D.

Economic report

General economic and industry environment

General economic environment

The course of the Covid-19 pandemic continued to impact global economic growth in 2021. Influenced both by the vaccination campaigns launched at the start of the year and by the monetary and fiscal measures adopted, many countries' economies began to recover, some of them quite quickly. The main driver of this recovery was the loosening of pandemic restrictions, which revived private consumption and led, in particular, to rising revenues in the service sector. However, the global economy began to run out of steam again in the second half of the year. Supply chain disruptions and the spread of coronavirus variants put the brakes on economic output again in a number of countries. What is more, supply-demand imbalances in connection with the economic recovery triggered a substantial increase in inflation.

Economic growth

In the eurozone, real GDP rose by 5.1% year on year in 2021. At the beginning of the year, regional lockdowns and measures taken to contain infections slowed economic growth. Then, in line with the improving pandemic situation, an economic upswing set in from the second quarter onwards, especially in the high-contact service sector. With utilisation levels remaining high in the manufacturing sector, rising capital spending and robust private consumption meant that economic output at the end of the third quarter was only 0.3 percentage points below its pre-pandemic level. Owing to an array of negative factors in the fourth quarter, however, the economy managed to grow by only 0.3% quarter on quarter. Among other things, pronounced supply-chain problems made it difficult for the manufacturing sector to work off its large order backlog. In addition, weak exports coupled with a deteriorating situation on the pandemic front amid renewed high infection rates put a heavy strain on the economy, especially the service sector. The full-year economic growth

figures for the major eurozone economies in 2021 were: France: 6.7%; Italy: 6.3%, Spain: 4.9%; and Germany: 2.5%.

The EU member states continued to provide businesses and employees with fiscal support in 2021. In addition to liquidity and capital injections for companies, some countries provided income support or debt relief and relaxed contractual restrictions. While individual measures expired in the course of the year, other programmes – such as easier access to furloughs in Germany – were extended until the end of March 2022. At European level, the temporary economic recovery package Next Generation EU (NGEU) began to raise funds in June 2021 by issuing bonds in the capital markets. The NGEU's main goal is to combat the negative effects of the pandemic through targeted investments that promote the digital transformation, decarbonisation and cohesion within the EU.

Some EU countries that are not eurozone members experienced a less pronounced economic upswing than the average of those that use the common currency. Sweden, for example, achieved economic growth of 4.7% in 2021.

The UK economy continued to experience the effects of Brexit, with exports weak despite the trade agreement with the EU and with the departure of foreign workers leading to labour shortages. Other factors, by contrast, had a stimulating effect on the economy: the rapid progress made with the vaccination campaign meant that pandemic restrictions could be lifted earlier than in many European countries, which boosted private consumption. In addition, an expansionary fiscal policy lent impetus to the economic recovery. During the second half of the year, however, negative factors such as supply-chain problems and a renewed deterioration in the public health situation became an increasing burden, prompting both consumers and companies to use more caution. Overall, economic output reached 7.2% in 2021 compared with 2020.

Labour markets in many countries were buoyed by state aid programmes, either temporarily or throughout the entire year. The service sector, in particular, profited in the course of the year from the reopening of customer- and consumer-oriented segments, recording a strong upswing in employment. At the end of 2021, the eurozone unemployment rate was 7.3% and thus back at its pre-crisis level of year-end 2019. In the USA, the unemployment rate at year-end 2021 was 3.9%, only marginally higher than the pre-pandemic rate and considerably lower than the 6.7% recorded at the end of 2020.

with their business partners, to the integration of buildings and technical equipment. New technologies such as artificial intelligence (AI) and big data are creating future opportunities for Aareon. Climate change is prompting the property industry to focus more and more on digital solutions that help reduce both CO₂ emissions and energy consumption. People’s growing desire to retain their independence in old age is boosting demand for digital solutions that enable them to continue living to a ripe old age in their own four walls.

Annual real GDP growth rate in %

	2021 ¹⁾	2020 ²⁾
Eurozone	5.1	-6.5
Germany	2.5	-4.9
Finland	3.6	-2.9
France	6.7	-8.0
United Kingdom	7.2	-9.4
Netherlands	4.6	-3.8
Norway	4.1	-1.3
Austria	4.6	-6.8
Sweden	4.7	-3.1
Switzerland	3.6	-2.5

(Source: Oxford Economics) 1) Preliminary figures; 2) Adjusted to reflect final figures

Industry trend

In the national markets of relevance to Aareon, the digital transformation process in the property industry continues unabated. Since 2020, the Covid-19 pandemic has been a key factor accelerating digitalisation of the working world. More and more companies are setting up their own digital ecosystems. The trend towards sourcing software as a service (SaaS) from the cloud is ongoing. Under this business model, property companies outsource the operation, maintenance and servicing of software to IT service providers. More and more, the focus is shifting from connecting property companies

Key performance indicators

The key financial performance indicators used by Aareon to measure and manage business performance are revenue and adjusted EBITDA, the latter a customary metric across the software industry. Adjustments incorporate items of an exceptional or non-recurring nature, which usually means acquisition-related expenses, such as due diligence costs or the cost of legal disputes. It also factors out investments for the Value Creation Program, for new products and for Aareon’s venture activities.

Business performance

As was the case in 2020, the Covid-19 pandemic was the main influencing factor in 2021. At times, almost all of Aareon’s employees worked from home and continued to keep the company’s business operations going. The pandemic had a particular impact on Aareon’s consulting activities, one that could not be entirely made up for by “Green Consulting”. A number of projects were either cancelled or delayed, and access restrictions often ruled out on-site consulting altogether. The number of “Green Consulting” days, i.e. person-days for consulting not performed on the customers’ premises, came in at more than 31,000 and was thus stable year on year.

Amid the pandemic, Aareon still succeeded in maintaining its levels of service, thus enabling its customers to keep up their digital business operations throughout the crisis. Customers whose business was already highly digitalised had an edge here. Most customer functions and larger events like Aareon Live, a key get-together in Germany with more than 1,000 participants, were held online. On the whole, the Covid-19 pandemic has further increased the importance of digitalising the property industry.

Despite the pandemic, Aareon remains committed to its goal of becoming a Rule-of-40 company by 2025. In 2021, the company's Rule of 40, i.e. the sum of the revenue growth rate and adjusted EBITDA margin, was 29%.

DACH segment

In the DACH segment, revenues in 2021 were unchanged year on year. With consulting revenues lower due to the pandemic, overall revenues from ERP business declined year on year. Revenues from Wodis Sigma decreased for the same reason. As part of its Value Creation Program, Aareon launched a campaign in June 2021 for its new product generation Wodis Yuneo, the aim being to strengthen the focus on the SaaS trend and, as a consequence, on Aareon's transformation into an SaaS company. During the campaign, Aareon offered its customers process-oriented product packages that are tailored to their individual requirements and simplify customer-side offerings. The share of recurring revenues rose as a result (see also section "Goals and strategies", p. 25). Lower consulting revenues also meant overall revenues from the ERP software SAP® solutions/Blue Eagle and from the commercial-property package RELion remained at the same levels as in the prior year. In October 2021, Aareon added the ERP system immotion® to its range of ERP products through the acquisition of GAP Gesellschaft für Anwenderprogramme und Organisationsberatung mbH (GAP-Group), Bremen (see also section "Goals and strategies", p. 25), creating further potential for cross-selling of digital solutions. BauSecura's insurance activities performed well.

In the DACH segment, Aareon was once again able to increase the volume of its digital solutions in 2021. Demand was particularly strong for digital solutions in the areas of WRM (workforce relationship management) and CRM (customer relationship management). Since the market launch of Digital Agency, Aareon has been able to offer its customers in Germany a platform that maps the entire tenant life cycle, from beginning to end. Together with its cooperation partners and pilot customers, Aareon continued to develop the Neela CRM solution, an AI-based virtual assistant, in 2021. The Mareon service portal for the coordination of tradespeople (SRM) celebrated its 20th anniversary in 2021. For years now, Mareon has been generating reliable revenue flows. Even before the new Heating Costs Ordinance came into force, Aareon was able to offer its customers – through the interplay of vacancy management and CRM app/portal – an EED-compliant application that satisfies the property industry's new information obligations towards tenants. In August 2021, Aareon acquired the German PropTech wohnungshelden GmbH. The latter's CRM software solution allows housing companies to digitalise their entire rental process and fits well with Aareon's existing product portfolio for rental processes. In the field of building relationship management (BRM), Aareon teamed up with cooperation partners to develop PrediMa, a digital solution for predictive maintenance (see section "Aareon's portfolio", p. 22). Reduced demand for consulting services due to the pandemic meant that revenues from the epiqr® and AiBATROS® products were significantly lower year on year.

International Business segment

Aareon achieved a substantial year-on-year increase in business volume in its International Business segment. International ERP sales were higher than in the prior year, with Aareon France and Aareon Nederland making particularly big contributions. In the Netherlands, the shift towards an SaaS business model continued. What is more, with its full acquisition of BriqVest B.V. (Twinq), Oosterhout, in May 2021, Aareon tapped into the market segment for shared ownership

property management. Twinq is a provider of software to that sector in the Netherlands. As of 2022, Twinq will be merged into Aareon Nederland. In France, there was strong demand for the new release of Prem'Habitat, which was launched in 2020. In the Nordics, the delayed delivery of the new release of Aareon Incit Xpand and the focus on the core market of Sweden meant the company failed to reach its expected level of revenues. Aareon UK's revenues were on a par with the previous year. In 2021, Aareon acquired Arthur Online and Tilt in the UK, tapping the SMB market for property management. Arthur Online and Tilt have already succeeded in garnering a large number of new units, and the migration of customers from Tilt's software to Arthur Online's is progressing well. In order to manage the new acquisitions efficiently and leverage further synergies, Aareon SMB Hub UK Ltd. was established on 22 November 2021. Arthur Online Ltd. and Tactile Ltd. will be sold to the latter in an intra-Group transaction in the course of this year. Consulting revenues also declined year on year in the International Business segment, a decrease that could not be fully offset by Green Consulting.

There was high demand for digital solutions in the International Business segment in 2021, especially in the Netherlands and France, whereas revenues in the Nordics declined year on year. Demand was particularly strong for solutions in the fields of WRM (workforce relationship management) and CRM (customer relationship management). The BRM solutions of UK-based Tactile Ltd. (Fixflo), which Aareon acquired in May 2021, have already made a significant contribution to revenues. Cross-selling has already commenced in this segment too.

Economic situation

Earnings

Aareon grew its consolidated revenues in 2021 by 4.4% to € 269.3 million (2020: € 258.1 million). Volumes for ERP solutions were up by 1.1% year on year (by 2.9% excluding

consulting revenues). Digital solutions business grew by 14.9% year on year (by 23.3% excluding consulting revenues).

At € 66.8 million, Aareon's adjusted EBITDA was 7.5% higher year on year (2020: € 62.1 million). Due to the pandemic and the business model shift from licensing to SaaS and subscriptions, Aareon only just missed its forecast figure for consolidated revenues (€ 270.0–274 million). Actual revenues in 2021 came in at € 269.3 million. By contrast, Aareon exceeded its forecast for adjusted EBITDA (€ 63.0–65.0 million).

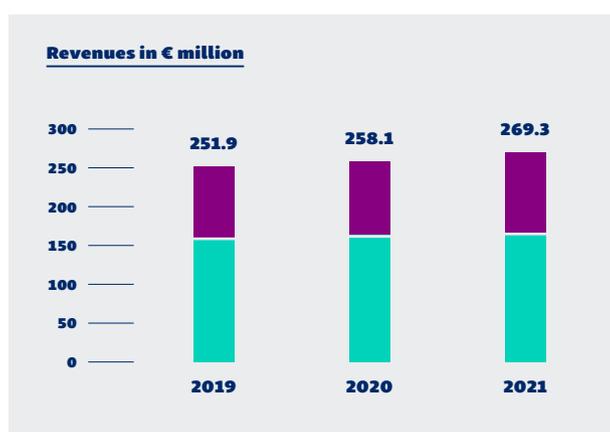
In addition to enhancing operations in its DACH and International Business segments in the fiscal year, Aareon placed special emphasis on implementing its Value Creation Program (VCP). What is more, the company took a big step forward with its M&A Roadmap by completing a total of six transactions.

At € 24.0 million, non-recurring effects in the fiscal year – which are factored out when calculating adjusted EBITDA – were greater than expected. They were primarily due to the VCP and to the corporate acquisitions.

The increased investments in 2021 were due to a higher figure for capitalized own work, at € 14.2 million in 2021 (2020: € 8.2 million). Total R&D expenditure came to € 52.4 million in 2021 (2020: € 41.9 million); (see also section "Research and development", p. 28).

Other operating income amounted to € 5.9 million (2020: € 4.8 million). As in the past, this income was again influenced in 2021 by the measurement of contingent purchase-price liabilities. A further influencing factor was the consolidation of a previously equity-accounted investment.

The cost of materials rose by 7.0% to € 48.4 million (2020: € 45.3 million) due to revenue growth. The increase of 12.7% in staff costs to € 160.7 million (2020: € 142.7 million) was chiefly attributable to the increase in personnel numbers



■ International
■ DACH

triggered by organic growth and the integration of the employees of the acquired companies. Other expenses increased by 26.1% to € 37.5 million (2020: € 29.8 million). This was due in particular to the consulting services required for the VCP.

At € 164.2 million, Aareon’s revenues in the DACH segment were roughly the same as in the prior year (2020: € 163.9 million). The original forecast figure of € 175.0–177.0 million could not be reached because of the ongoing pandemic. That was due in particular to the year-on-year decrease in consulting revenues. By contrast, recurring revenues were up compared with a year earlier.

In the case of ERP products, the shift from the licensing model to SaaS and subscription contracts caused recurring revenues to grow and licensing revenues to decline. Insurance commission income from BauSecura grew year on year. The newly acquired entities GAP-Group and wohnungshelden contributed to revenue growth. Digital products recorded higher revenues, especially in the shape of recurring revenues for CRM (wohnungshelden), SRM (Mareon) and WRM

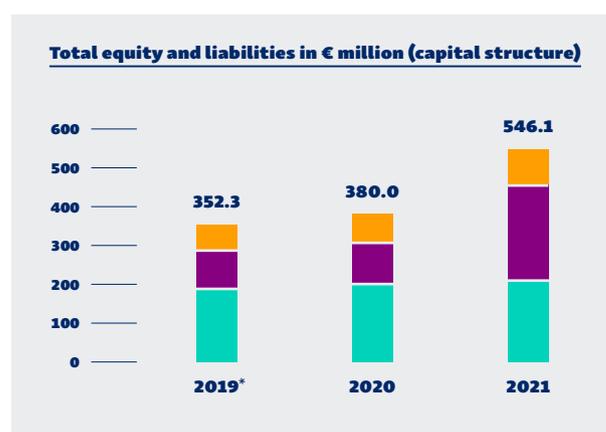
products (Archiv kompakt and mobile solutions). Both ERP and digital products were affected by the decline in consulting, with customers postponing implementation projects because of the pandemic. On the one hand, revenues were unchanged, and travel and marketing expenses were lower. On the other, staff costs were up due to integration of the new acquisitions and the increase in internally generated assets. In combination, this resulted in adjusted EBITDA in the DACH segment of € 45.4 million, which was up year on year (2020: € 40.6 million) and also higher than forecast (€ 42.0–43.0 million).

Revenues in the International Business segment were up 11.6% to € 105.1 million (2020: € 94.2 million). That surpassed the original guidance of € 101.0–103.0 million. Revenues from ERP products were significantly higher year on year, with the acquisitions in the UK (Arthur Online, Tactile, RentPro/Curo Software) and the Netherlands (Twinq) a contributing factor. The Netherlands, in particular, posted strong increases in recurring revenues, which also led to substantially higher adjusted EBITDA. Apart from the acquisitions, this was due



■ Current assets
■ Non-current assets

* Restated



■ Current liabilities
■ Non-current liabilities
■ Equity

* Restated

to the business model shift towards SaaS. In France, consulting revenues were higher year on year. In the Nordics, rollout delays for the new release of Aareon Incit Expand and the focus on the core market of Sweden meant the company fell short of expectations, both for revenues and adjusted EBITDA. Digital products recorded strong growth, with BRM products from Fixflo in the UK and CRM products in France making major contributions. As expected, total adjusted EBITDA came in at € 21.4 million, on a par with the previous year.

Net assets

Aareon's total assets amounted to € 546.1 million in 2021, up 43.7% year on year (2020: € 380.0 million). At € 448.2 million, non-current assets rose by 69.3% on the previous year (2020: € 264.7 million), mainly due to the increase in intangible assets from the acquisition of companies in the software industry. In addition, high investments to enhance our suite of solutions led to an increase in internally generated software. Current assets decreased by 15.1% year on year to € 97.9 million (2020: € 115.4 million).

The completed acquisitions diminished cash and cash equivalents.

Financial situation

Capital structure

Compared with the previous year, equity climbed by 4.0%, from € 201.0 million to € 209.0 million, chiefly due to fair-value remeasurements of financial instruments and to price effects.

Non-current liabilities rose to € 246.1 million (2020: € 106.1 million). The increase was driven by deferred tax liabilities in connection with initial consolidation of the acquired companies and by the loan agreement taken out to finance acquisitions.

At € 91.1 million, current liabilities were up 24.8% year on year (2020: € 73.0 million), primarily due to the increase in contract liabilities from the growth in recurring revenues (maintenance and SaaS) and to the rise in purchase price liabilities in relation to the acquisitions.

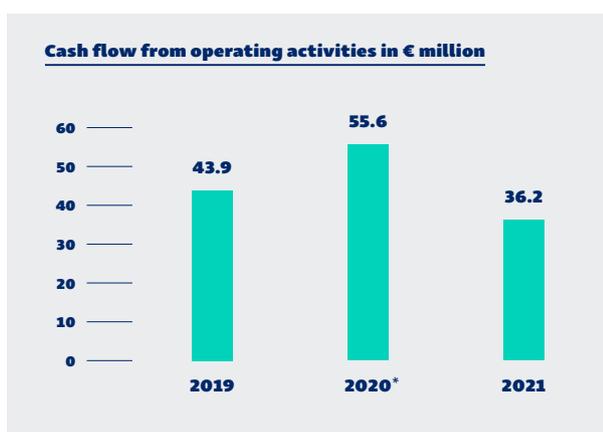
Liquidity

The statement of cash flows is the key to analysing Group liquidity. Cash funds amounted to € 32.5 million in 2021, compared with € 50.4 million in the prior year.

At € 36.2 million, cash flow from operating activities was lower year on year (2020: € 55.6 million). The decrease was driven by reduced EBIT (earnings before interest and taxes), due in part to capital expenditures in the context of the VCP.

At € -173.6 million, cash flow from investing activities increased year on year (2020: € -45.4 million), due primarily to payments of € -148.6 million to acquire consolidated companies (2020: € -22.2 million).

Cash flow from financing activities amounted to € 119.6 million (2020: € -11.7 million) and was chiefly attributable to non-current liabilities (loan agreement, see above) to finance the company's M&A strategy.



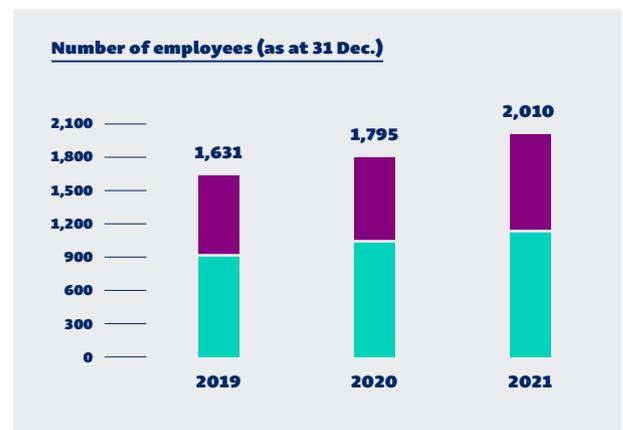
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Our staff

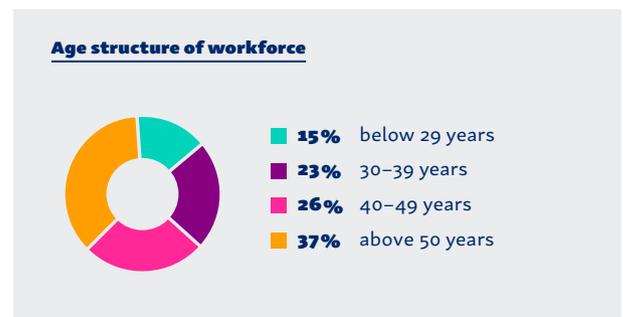
In the digital working world – which the pandemic has made substantially more significant – and in the wake of the digital transformation, it is important to have a human resources policy that focuses on employees as people. Aareon has been pursuing a sustainable, life-phase-oriented personnel policy for a long time now. The policy takes account not only of the employees’ work-life balance – which also encompasses flexibility as regards when and where they perform their work – but also what level of performance can be expected of individuals in the particular phase of life in which they find themselves. Factors such as knowledge and expertise, health, equal opportunities, diversity and each employee’s professional development are an important part of this policy and reflect the changes taking place in society – changes that include the digital transformation, demographic change, higher retirement ages and immigration. Given the ever faster pace of change and technical progress, agility is becoming ever more important. Flexibility and life-long learning are critical success factors, which are encouraged under Aareon’s personnel policy.

For around 20 years now, Aareon has been carrying out anonymised Group-wide employee surveys on an annual basis. They are a tool for gauging the employees’ mood and provide insights into how specific improvement measures are put into practice. The Group-wide response rate of 74% for the employee survey shows that both rank-and-file employees and management consider it important to participate in the future success of the company. General levels of employee satisfaction remain high. Management of the pandemic at Aareon met with very positive feedback. Employees assessed as positive the ability to work from home and the flexibility it granted them.

The ongoing pandemic meant that employees were able to work from home again in 2021. At times, sites were either shut down altogether or the maximum number of employees allowed to be present in the office was capped at 25% of the workforce. What is more, Aareon in Germany offered all



■ International
■ DACH



its staff and their family members vaccinations – an offer many of them took up.

As at 31 December 2021, Aareon had a total of 2,010 employees (2020: 1,795). The average period of service with the company was 10.3 years (2020: 9.9 years). The international subsidiaries accounted for 43.5% of the workforce (2020: 42.0%). Aareon promotes flexible working time models and rolled out a company-wide agreement on off-site working options

in 2019. The agreement grants employees the flexibility to perform some of their work outside the office, including from home. At times during the pandemic, almost all employees worked from home. The proportion of women in the workforce was 33.9% (previous year: 34.4%), while the share of women in management positions was 23.1% (previous year: 25.5%).

Qualification and further training

With the pandemic lasting throughout 2021, personnel development measures in digital form continued as well. Via the Cornerstone Learning Management System, the company offered training courses on housing industry topics from the EBZ Business School Bochum and on leadership, agile project management, soft skills, communication and health from Pink University. Other offerings included intercultural training courses, special consulting courses, a digital coaching programme lasting several months, and online language courses.

The fifth cross-mentoring programme was completed in 2021. Cross-mentoring is a personnel development tool aimed at encouraging knowledge transfer. It involves the systematic sharing of ideas and experiences between employees at different companies. 2021 was exceptional in that two programmes ran in parallel: the sixth round commenced in June 2021 and is ongoing.

Initial training and the promotion of young talent

In addition to trainee programmes, Aareon offers dual-study degrees in Business IT and in Media, IT and Management, as well as a variety of vocational training courses in office management and IT (the latter with a specialisation in either application development or systems integration). At year-end 2021, the Aareon Group employed 15 trainees and three dual-study students in Germany.

As part of its programme to promote young talent, Aareon supported JOBLINGE, an initiative for young people who have had a hard start in life. Three former participants of the JOBLINGE initiative have already completed their vocational training and been given employment by Aareon. Three Aareon employees contribute to the JOBLINGE initiative as volunteer mentors.

In order to foster young talent and promote education, Aareon works together with several universities, offers internships and supports a number of students from Johannes Gutenberg University Mainz who are holders of a German National Scholarship (Deutschlandstipendium).

Forward-looking corporate culture

As an innovative company that is driving the digital transformation in all areas and managing the associated change process for its staff, Aareon had already adopted a range of measures in connection with the work4future project, which was concluded in 2020. In 2019, a company-wide agreement on off-site working options was put in place, further enhancing flexibility for employees in terms of where they perform their work. Back then, a digital collaboration tool was rolled out for internal communications. This has proven its worth since 2020, especially during the pandemic, with employees being able to cooperate closely despite physical distancing. This was supported by various campaigns and regular posts by the Management Board. In 2021, especially against the backdrop of the pandemic, numerous corporate health management measures were taken to support employees in the digital working world. Office space concepts were evolved to meet the requirements of an inspiring, state-of-the-art working world. Boasting a large number of open spaces, niches and meeting pods, the office concepts reflect a new way of working together.

Aareon sets great store by a healthy work-life balance and the company has been awarded a corresponding certificate

Internal control system

in this regard by berufundfamilie, a non-profit organisation. The first certification was first awarded back in in 2008. The company's personnel-related services in this context include making working hours more flexible, partnering with a family service company, and providing parent-child offices as well as crèche and kindergarten places in cooperation with a company based in Mainz. In addition, in September 2021 Aareon was certified as an attractive employer in Germany and France under the Great Place to Work® standard.

Equal opportunities form an integral part of Aareon's personnel policy. Women are represented in various management roles and on the Management Board. Many women also exercise responsibility in projects and sub-projects or play a role as specialists. Aareon's goal is to achieve even greater balance in this area. In this context, targets for the representation of women were set at the subsidiary Aareon Deutschland GmbH in 2018 in accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and the Public Sector.

Compensation principles

Aareon's compensation systems are aligned with its strategic goals. The objective is to provide employees with compensation that is attractive and motivating as well as in line with market benchmarks and personal performance. Equal pay for men and women performing the same duties is part of that as well. This policy can help Aareon to attract and retain dedicated, highly qualified employees with high potential. It is up to each individual company within the Group to design its own compensation system in line with these principles. The ultimate responsibility for this rests with local management, who must also take into account the co-determination rights of the bodies representing the employees in each company as well as local statutory regulations. Aareon makes its principles for compensation systems known at every Group company.

Aareon's internal control system (ICS) consists of systematic organisational measures and controls that are designed to ensure compliance with its directives and to avert potential losses caused by its own staff or third parties (compliance management). In this connection, Aareon has opted for a risk-based approach.

The purpose of the accounting-related internal control system is to guarantee Aareon's operations are properly executed in both legal and business terms. One of the principal aims is to ensure the conformity of internal and external accounting processes, and compliance with the relevant statutory provisions.

In addition to customers and products, which constitute the company's core processes, the processes in question relate to liquidity, personnel and legal affairs.

The Management Board of Aareon AG is responsible for designing, establishing, applying, refining and reviewing an appropriate system of internal control over financial accounting. At Aareon AG, the processes for (Group) financial accounting are managed by the Corporate Finance unit, which also takes charge of Group financial reporting. All of the company's subsidiaries are included in its consolidated financial statements. The Accounting and Contract Management unit handles some aspects of financial accounting – including preparation of the annual financial statements in the Group's SAP® software programme – for Aareon AG and its subsidiaries Aareon Germany GmbH, phi-Consulting GmbH, Aareon RELion GmbH, AV Management GmbH and CalCon Germany GmbH. The financial accounts of BauSecura are handled by the Funk Group. Aareon UK, Aareon France, Aareon Nederland and the Scandinavian companies of the Group each have their own autonomous financial accounting units, and these also enter their respective financial data independently in the Group's in SAP® software programme. In 2021, employees of the Finance unit in Germany entered the financial data reported by the CalCon companies in Austria

and Romania, by wohnungshelden GmbH, OFI Group GmbH and GAP-Group, and by the international companies Arthur Online Ltd., Tactile Ltd., RentPro Ltd. and Curo Software Ltd. in the Group's software programme. The Financial Accounting unit of Aareon Nederland entered the data of the Twinq companies. After the closing date for the separate financial statements, the reported data is transferred to SAP® EC-CS, the software programme used for consolidation. During the consolidation process, carrying amounts are automatically converted into the functional currency (euro) using the closing rate on the reporting date, while income statement items are converted using the average exchange rate, and added together in the cumulative balance sheet or statement of comprehensive income, respectively. Receivables and liabilities as well as income and expenses between Group entities are eliminated. The carrying amounts of investments and capital are also consolidated, as are unilateral transactions such as dividend payments. Finally, Group postings – such as first-time consolidations and deconsolidations, and the amortisation of assets and deferred taxes from first-time consolidations – are made manually.

Internal guidelines for preparing Aareon's separate financial statements and consolidated financial statements are set out in the Group accounting manual. These guidelines are made available to all Aareon subsidiaries, reviewed on a regular basis and updated as required. During preparation of the financial statements, plausibility checks are carried out in the accounting systems of subsidiaries and key individual items analysed. In addition, a schedule for preparation of the annual financial statements is in place, in accordance with which each subsidiary completes its separate financial statements and submits them to the relevant Group department for preparation of the consolidated financial statements. Control processes are in place to monitor both automated and manual entries. Key accounting procedures are subject to subsequent dual control. An authorisation process is in place to protect the accounting and financial reporting systems

against unauthorised access. Aareon also makes use of external service providers, for instance to assist in measuring pension obligations.

Under the compliance management system, the units responsible at Aareon regularly monitor compliance with the company's internal guidelines and work instructions.

Aareon has summarised its core processes in matrix form. It has analysed the relevant objectives of the control process and devised appropriate control activities. Performance of the control activities, and hence the effectiveness of the controls, is documented in a variety of ways.

The Supervisory Board receives quarterly reports on the Group's performance.

Aareon AG's Internal Auditing unit exercises a process-independent supervisory function, reporting directly to the Management Board and providing audit and advisory services that are focused on monitoring the compliance, security and profitability of Aareon's business processes.

Aareon is integrated in the financial processes of its parent company, Aareal Bank AG.

Aareon AG maintains a risk management manual, which describes the main elements of its risk management system. In this context we also refer to the information provided in the risk report.

In accordance with the regulatory requirements, Aareon is not obliged to provide information on either the effectiveness or efficiency of its internal control processes and risk management system in relation to the Group accounting process. Aareon AG has no internal control process or risk management system in place for its Group accounting process. Relevant risks and how they are mapped are discussed in the risk report.

Risk report

Fiscal 2021 was overwhelmingly shaped by two factors: Aareon's ambitious growth strategy and the effects of the Covid-19 pandemic. Mergers and acquisitions enable Aareon to grow its market share and enter new market segments. A new organisational unit called Post-Merger Integration was established to assist with the integration of new companies and their employees into the Aareon Group. The Value Creation Program was developed to further accelerate growth within the Aareon Group. Thus far, Aareon has successfully managed the pandemic thanks to a flexible digital working environment and its digital offering known as Green Consulting. In parallel, the pandemic crisis team continued its work, developing and putting in place measures to protect the company's workers.

With a view to monitoring and controlling corporate risks, a project was set up to roll out the new standard software programme R2C_GRC to replace the previous tool used. The new software is a Group-wide risk management system with an early-warning function. The risk management system enables those responsible for the relevant divisions, investments and projects to regularly record and analyse their respective risks – but not the associated opportunities – as well as to develop proactive risk management measures. Risks are assessed in two separate dimensions, namely in terms of their impact and their probability of occurrence. Only residual risk is assessed and reported, i.e. any risk minimisation measures in place are taken into account. In addition to general corporate risks, special emphasis is placed on information security risks, which are recorded and assessed in a separate information security inventory. Whereas general corporate risks flow directly into the risk management system, information security risks are accounted for in aggregate form.

The resulting risk reports are consolidated by the Group's Legal, Risk Management and Compliance unit and provide the

basis for quarterly risk reporting. This topic is dealt with regularly at board meetings and also forms part of the quarterly reports submitted to the Supervisory Board of Aareon AG. Aareon uses the risk reporting system to shed light on its risk situation and provide management with a basis for deciding what action to take. For each of the ten risks assessed in each quarter as having the highest expectancy (i.e. the product of impact and probability of occurrence), the corresponding measures specified by the risk owners are documented in the risk reports, to the extent that the risk expectancy exceeds a defined threshold. The threshold is currently set at € 100k. At the applicable Q4 reporting date, 12 risks met the criteria for special individual reporting. In addition to documentation of the measures taken in the fourth quarter, the measures taken against risks whose expectancy ranked among the top ten in any of the preceding three quarters are also documented. This juxtaposition of risks and measures serves two purposes: firstly, to aid comprehension of the risk assessments, and secondly, to assess the effectiveness of the measures taken. Over and above this, the Management Board of Aareon AG and the management of the DACH¹⁾ region, the Group's biggest, decide on the measures to be taken against risks whose expectancy exceeds a further defined threshold.

Aareon's Internal Auditing unit carries out reviews of the risk management system. These include checking for compliance with statutory provisions and with the Group-wide guidelines documented in the risk management manual. In addition, a control owner carries out an internal audit in accordance with German auditing standard IDW PS 951 nF to ascertain whether the internal risk management controls in place are effective.

The categories of risk to which Aareon is exposed comprise financial and market risks, management and organisational risks, risks from incidental and ambient conditions, and

1) D = Germany, A = Austria, CH = Switzerland

production risks. Financial risks are considered to encompass liquidity, cost and revenue risks. Market risks include customer and competition risks, risks relating to associations' and advisory councils' opinion leadership, supplier risks and risks arising from inorganic growth. The management and organisational risks category combines risks relating to personnel and internal processes. The incidental and ambient conditions category comprises legal risks and compliance risks. Production risks comprise product and project risks as well as risks relating to information security. Interdependencies exist between individual risks. No overall risk value is calculated at the risk-category level. The planning period at this level is one year.

Having categories and subcategories enables Aareon to draft a harmonised risk atlas and achieve a uniform approach to the examination of risks. The risk atlas summarises the risks and indicators monitored by the individual divisions and Group companies.

If any major changes are decided on at meetings of the corporate bodies as regards organisation, strategy or management policy, the central risk management department adjusts the risk atlas accordingly.

Viewed on average across the quarterly risk assessments, the risks faced by the company in 2021 were deemed to be higher than in the previous year. On the whole, Aareon was not exposed to any risks that threatened its status as a going concern or had a significant impact on its net assets, financial situation or earnings. The following is a description of risks of material interest to the readers of the financial statements.

Financial risks

The Aareon Group's demand for capital is constantly rising due to its strong growth. That demand is met in close co-operation with the Aareal Bank Group. The bilateral line of credit provided by Aareal Bank was used mainly to finance corporate acquisitions.

Liquidity risk is defined as the risk that a company may be unable to meet its financial obligations. Aareon is convinced that its existing credit facilities with Aareal Bank AG and the cash inflows from its ongoing business operations are sufficient to meet the Group's foreseeable liquidity requirements. In order to avoid liquidity risks throughout the entire Aareon Group, risks are monitored and controlled in the DACH region in separate weekly and monthly liquidity planning rounds. Short-term fluctuations in cash flow are monitored on a daily basis and, where necessary, suitable counter-measures are taken. At the international subsidiaries, this liquidity forecast is prepared on a monthly basis. In addition, Aareon AG resolved to carry forward the profits for fiscal 2021.

To ensure that the revenue target is achieved despite the large number of implementation projects in progress, Aareon deploys a resource management planning tool to assign the available consulting resources (and their corresponding expertise) to the projects still to be completed. On top of that, projects are closely monitored so as to detect any deviations from the plan/forecast in good time.

The tax risk rises as a result of inorganic growth and the rising complexity of business transactions. Examples of this risk

include potential claims arising from company audits and losses that do not qualify as loss carryforwards. A tax compliance system was established to counter these rising risks.

The increase in financial risks compared with the previous year was primarily attributable to the higher assessment of tax risks and to external financing of the company's growth strategy.

Market risks

Regular reports to the Management Board on the market situation help Aareon counteract the risk of being unable to achieve its planned prices in the marketplace. The Aareon Group also has to deal with general market risks. These also include indicators such as customer churn and the entry of new competitors into the market. Aareon counters the risk of any deterioration in customer relationships by regularly checking levels of customer satisfaction. In addition, the success of converting contracts to the new SaaS/subscription pricing model is measured on a regular basis.

In view of the ongoing changeover to the new model, market risks were assessed as being higher than in the prior year. Aareon responded to this higher risk by introducing a grace period for customers, allowing them more time for their internal decision-making process.

Management and organisational risks

In order to meet changing customer requirements, the company must ensure that the requisite personnel resources with the corresponding qualifications are made available in the right place at the right time. The growing shortage of qualified personnel, especially in the IT industry – a shortage

exacerbated by decreased willingness to change jobs during the pandemic – makes it harder and harder to fill vacancies in time and uphold business operations. Aareon is countering this risk with new approaches to recruitment, such as social media marketing and employer branding activities. The company is also testing, or already deploying, substitutes to traditional employment models, including greater use of nearshoring and outsourcing. When Aareon avails itself of the services of external service providers, it is particularly aware of the potential risks of hiring workers illegally and has taken action to reduce such risks.

Relative to the previous year, leadership and organisational risks were assessed as being moderately higher.

Risks from incidental and ambient conditions

At Aareon, the term “incidental and ambient conditions” is used to cover legal, political, regulatory and compliance risks. As an IT service provider, Aareon is particularly exposed to risks arising from breaches of IT-relevant regulations. Such risks are processed in at least one of the management systems in use in the Information Security (IS), Data Protection or Compliance units. These units cooperate closely with each other to counter the risks both effectively and efficiently, and to avoid divergences in how they assess IT-relevant threats. This helps to bring compliance measures into alignment with information security measures.

Aareon places particular emphasis on the constant evolution of the management systems mentioned above. The monitoring and control mechanisms developed there help to continuously improve the Aareon Group's compliance-relevant processes.

In order to manage the risks arising from contractual compliance, Aareon uses standard contracts that are refined and adapted on an ongoing basis to reflect changes in products and laws as well as the latest court rulings. In addition, the managing directors make use of an established complaint management system to monitor – and thus avoid as far as possible – any potential claims for damages. This helps to reinforce Aareon’s reputation as a reliable contractual partner. Special customer requirements are discussed with the relevant contractual partners, specified for the particular customer relationship and documented.

The consequences of the EU’s General Data Protection Regulation (GDPR) for Aareon’s established risk management system were taken into account in Aareon’s data protection organisation system, which applies Group-wide. Data protection is an integral part of Aareon’s business. The tasks arising out of this project, namely to preserve and maintain the data protection management system, are constantly being monitored and evolved as well.

Relative to the previous year, the risks associated with incidental and ambient conditions were assessed as being marginally higher.

Production risks

Like any other project, software development harbours the risk that the final product cannot be provided at the targeted cost, in the expected quality, or within the time frame required by the market. That is why such work is carried out using development and management methods based on

internationally recognised standards. Procedures and standards are set down in a uniform international development policy that places particular emphasis on security and data protection, and takes account of both agile and traditional development methods. Development and customer projects are increasingly being implemented using agile methods, enabling risks to be identified early and monitored. Responsibilities for continuous improvement processes for software quality have been assigned within the organisational structure. Particular points of focus in this context are the expansion of cloud services, and capital expenditure on security and on the automation of software testing and operation in order to ensure consistently high quality at lower cost and to achieve a smooth flow of deliveries.

The information security management system is based on the internationally recognised ISO 27001 standard and is subject to a continuous, risk-oriented improvement process. In this context, technical and organisational checks were established in order to ensure a level of protection as regards information processing. This relates not only to the area exposed to attack in public networks per se, but also the appropriate, proactive response to information security threats as regards the protection goals of confidentiality, integrity and availability. As part of the continuous improvement process, uniform standards compliant with ISO security management standard 27001:2013 were rolled out across the Group on the basis of the Aareon security strategy. In addition, processes, guidelines and controls were honed in a risk-oriented manner.

Documented realistic countermeasures are taken to minimise the risk of any serious disruptions during the operation of

customer software. Thus far, we have not experienced any disruptions leading to a prolonged loss of service. In order to minimise the risk of an application being disrupted as a result of unauthorised access or an attack, technical and organisational measures have been taken that are anchored in the internal control system in accordance with German auditing standard IDW PS 951 nF. Appropriate fire-protection and loss- and disaster-prevention measures have also been put in place. Internal redundancies are in place to counter the failure of individual systems or components. Aareon's data centres were built in 2011, are audited by the TÜV technical inspection agency and have been certified as compliant with High-Availability Level 4. Key factors in this certification were the utilisation of state-of-the-art technologies, such as building infrastructure with heat-recovery technology, the mirroring of data between the two data centres, and fibre-optic cabling with cutting-edge encryption technology. Aareon has also established comprehensive data backup processes that allow it to reconstruct lost data in whole or in part within corresponding time frames. Aareon has addressed the issue of liability risk by taking out financial liability insurance for a limited scope and amount. The insurance policy provides cover in the event that Aareon is found liable to a third party for financial losses incurred as a result of its activities as an IT provider.

The increase in production risks compared with the previous year is primarily due to the higher assessment of cyber risks. The company not only organises training courses to raise employees' awareness of these risks, but also conducts regular PEN tests to ensure that data centre infrastructure at its various sites is secure. In addition, a foreign domain has already been moved to the Aareon Data Centre.

In early February 2022, the REMS data centre in the Netherlands became the victim of a professional cyber-attack, which was detected by its own security systems. The data centre was taken off-line immediately and all customers were notified. With the aid of backups in the Aareon Data Centre, the systems went into operation again.

In line with Aareal Bank AG's customary criteria for determining potential reputational damage, the reputational risk stemming from the cyber-attack was assessed as follows, based on the current state of affairs. The reputational risk as regards media impact and loss of customers was assessed as low. By contrast, the reputational risk in relation to individual stakeholders' perceptions of malfunctions and to the number of customer complaints was considered to be of medium magnitude. The legal risk is still being assessed. As things stand at present, Aareon Nederland B.V. has provisionally assessed the legal risk as being low. It is currently not possible to estimate the amount of potential reimbursements for this attack under the company's cyber-insurance policy.

Opportunities

Identifying, creating and utilising opportunities is central to Aareon's corporate strategy of managing the digital transformation process in a purposeful manner. Aareon's own research and development activities play a crucial role here, as do its constant observation and analysis of developments in the property and IT industries, the competitive environment and society as a whole. The insights gained are incorporated into its strategic programme, the Aareon Flight Plan, of which the Value Creation Program has also formed a part since 2021. The opportunities this gives rise to, some of which are correlated with each other, are categorised below. They were largely unchanged compared with the prior year:

- Opportunities from customer focus
- Opportunities from pioneering solutions
- Opportunities from active brand management and quality
- Opportunities from being an international corporate group
- Opportunities from being a preferred employer
- Opportunities from a sustainable business model

When utilising opportunities, Aareon weighs them up against the risks involved.

Opportunities from customer focus

Customer focus is pivotal at Aareon. The goal is to use Aareon's portfolio of products and services to add value for customers, also by making their day-to-day work easier. With its ERP systems and digital solutions, Aareon helps the property industry, which is facing a shortage of qualified personnel and rising rents, to work more efficiently. In many cases, Aareon's relationships with its customers, the property industry and their partners have grown over many years. The company is a member of several property industry associations, including the German Federation of Housing and Property Companies (GdW). Beyond that, Aareon systematically maintains a dialogue with its customers – through the Aareon customer advisory councils, at numerous

customer events and in individual talks with them. This proximity to its customers and the industry presents opportunities to identify customer trends, needs and requirements as they arise and to factor them into the ongoing development and expansion of Aareon's portfolio of products and services. In this context, Aareon also makes use of agile development methods like design thinking and collaborates with customers and partners in pilot projects (co-creation). These approaches can help enhance utility for the customer.

Opportunities from pioneering solutions

The digital transformation process in society and the economy is proceeding apace and is characterised by technological innovations. In this context, the Covid-19 pandemic has functioned as an additional catalyst. Aareon is integrating the opportunities offered by the digital transformation into its product strategy. It is constantly expanding the Aareon Smart World digital ecosystem – which centres on the company's ERP systems and also includes innovative, integrated digital and mobile solutions – and also enhancing it with solutions from its PropTech partners. Aareon Smart World connects the partners in the property industry. Our customers can use it to work in a convenient, process-efficient manner using a single database, to expand their own customer service capabilities and to leverage potential for new business models. When solutions are utilised via software as a service (SaaS), the corresponding data is stored in the exclusive Aareon Cloud located in the certified Aareon Data Center. Aareon offers professional consulting services for all its products and services. Aareon consultants help their customers to set a digital agenda and focus on the right products and solutions to optimise their business processes. They also provide them with ongoing support throughout their implementation projects. Companies often want to be able to source their IT services from a single provider because of the high degree of complexity involved. Compared with its competitors, Aareon has opportunities because of its ability

to offer consulting, software and services from a single source. When refining and enhancing existing products and services or developing entirely new ones, Aareon harnesses the growth potential arising out of the new trends and requirements of both customers and the market. Aareon's CRM solutions respond to people's growing desire to continue living to a ripe old age in their own four walls. For example, a tenant app can help organise neighbourhood assistance, such as help with shopping for the less mobile elderly, or could in future be linked to care providers. Our working world is being transformed – not least by the coronavirus pandemic – resulting in growing numbers of employees working from home or from anywhere, but also in the rise of coworking spaces. All this calls for the technical and organisational underpinnings that Aareon's solutions can deliver. A tenant app can be used, for instance, to book desks in coworking spaces and other community rooms. Mobile WRM solutions support property industry staff when working on site in buildings.

At Aareon, research and development have a key role to play in enabling the company to tap the growth potential offered by the digital transformation (see p. 28). When conducting R&D, Aareon also collaborates with property companies in line with the above-mentioned design thinking method (see p. 46). It also works together with PropTech companies and is a strategic partner of blackprint Booster Fonds (see p. 27).

Opportunities from active brand management and quality

Aareon takes an active approach to brand management. In September 2021, for example, it evolved and refined the vision, mission and values that drive the company, thus honing its corporate identity. As this influences customers' purchasing decisions, it is of central importance to Aareon's growth strategy. Aareon aspires to offer every customer the right solution or solution package. Aareon views rigorous implementation as an opportunity to achieve growth. In order to

make good on its claims, Aareon systematically utilises quality management tools such as customer and employee surveys, and commissions regular audits and certifications in a variety of areas. In addition, the IT solutions it develops are reviewed and vetted in multiple quality assurance rounds.

Opportunities from being an international corporate group

Aareon is an international corporate group and pursues a strategy of international growth. The close collaboration between Aareon's international subsidiaries creates diverse potential for synergies: for example, products marketed in one of Aareon's national markets can also be rolled out in others. This applies equally to new products being developed in one national market – all of the Group's customers stand to benefit from them. Digitalisation of the property industry leads to different points of focus in each of the countries in which Aareon operates. This creates opportunities not only for the transfer of knowledge between the Group's international and domestic entities, but also for research and development (see section "Research and development", p. 28). Aareon makes use of these opportunities to expand Aareon Smart World and thus generate additional growth potential. The commitment to add value for Aareon's customers is what unites the company's employees across Europe.

Opportunities from being a preferred employer

The demographic trend is making competition for qualified workers more intense. It is also essential to manage the transformation to a digital working world and make sure all employees are on board. That is why constantly honing our profile as a preferred employer – one that is capable of attracting new employees – is crucial to our success. Aareon has implemented many measures in recent years and will

continue to build on them. The topics covered include an innovative and inspiring working environment, a healthy work-life balance – also through opportunities to work away from the office – a life-phase-oriented personnel policy, equal opportunities, diversity, knowledge sharing and corporate health management. Binding leadership guidelines and a strong team spirit between line managers and their teams are further components of our employer profile. This creates opportunities for enhancing employee satisfaction and loyalty, and for facilitating the recruitment of new, highly qualified employees. In the race to recruit new workers, Aareon relies, among other things, on employer branding activities – also via social media – that help to establish links to potential employees at a very early stage.

Opportunities from a sustainable business model

Aareon's goal is to entrench environmental, social and governance (ESG) aspects in its value creation processes

and factor them into corporate decision-making. This creates opportunities to ensure its viability in the long term and to cultivate an image of a responsible company with its stakeholders. Since 2012, for example, the Aareal Bank Group – and thus also Aareon – has been accorded Prime Status in the sustainability rankings of ISS-ESG, a well-known rating agency. Key aspects of sustainability at Aareon include: a sustainable, forward-looking business model; Aareon Smart World, which leverages the potential of digitalisation with its customer-centric, high-quality IT solutions; high levels of data protection and security; a responsible, life-phase-oriented personnel policy that exploits the opportunities provided by the digital working world; and systematic resource management. The Aareal Bank Group's annual Sustainability Report also describes the sustainability measures adopted by Aareon. Aareon purchases offsets from the appropriate providers for all CO₂ emissions generated by the company's business travel. Aareon is also a member of Allianz für Klima und Entwicklung, a German government initiative for sustainable development and climate protection.

Outlook

Aareon will accelerate its growth strategy in 2022 in order to become a Rule-of-40 company in the medium term (by 2025). This metric is calculated based on revenue growth and the (adjusted) EBITDA margin. The combined figure should be 40% to reflect an even balance between growth and profitability. In this context, the company will continue implementing the Aareon Flight Plan (see section “Goals and strategies”, p. 25). The Aareon Flight Plan includes capital spending on new and existing products along with the Value Creation Program (VCP) measures, which reached the highpoint in the past fiscal year. This will be complemented by inorganic growth (mergers and acquisitions). The VCP measures include the expansion of sales activities (such as the marketing of process-oriented product packages comprising an ERP product and various digital solutions), the accelerated transition from in-house operations to SaaS and the subscription model respectively, enhanced efficiency through the implementation of software solutions, further optimisation of operational processes (operations excellence) and the expansion of internal reporting processes.

Aareon’s consolidated revenues are likely to rise substantially in 2022, reaching € 305.0–325.0 million (2021: € 269.3 million). This is to be achieved through the expansion of operations and through the contribution made by the companies acquired during 2021. After the significant impact the pandemic had on Aareon’s consulting activities in 2020 and 2021, the company expects to post strong growth in consulting revenues in 2022. Building on that, Aareon expects the long-term growth rate for digital solutions it had previously announced to be significantly higher year on year (2021: 15%). The revenue growth rate for ERP products should be in the low double-digit range. The planned further expansion of the SaaS business, coupled with the subscription model as a payment option, will result in substantially lower licensing revenues. However, recurring revenues should increase significantly in the short-to-medium term. At € 73.0–78.0 million, adjusted EBITDA should be considerably higher than last year (2021: € 66.8 million). Thanks to the initiatives described above,

management considers Aareon to be well placed to achieve its goals between now and 2025. Fiscal year 2022 will contribute to this by achieving the expectations outlined.

DACH segment

We expect revenues in the DACH segment to rise substantially in 2022, to between € 195.0 million and € 205.0 million (2021: € 164.2 million). At between € 48.0 million and € 51.0 million, adjusted EBITDA is also expected to be considerably higher than last year (2021: € 45.4 million).

Aareon expects ERP revenues in the DACH segment to rise strongly in 2022. Consulting business revenues are likely to increase, as we currently expect that the pandemic will have a minor impact, and demand from existing customers for consulting services will increase as the new product generation Wodis Yuneo is rolled out. Launched in September 2020, the ERP system Wodis Yuneo has thus far met with a very positive response from the market. In 2022, it will be offered as a subscription model and in SaaS form, and it is likely to be a revenue driver. Aareon expects the product SAP® solutions/Blue Eagle to generate revenues on a par with last year. Revenues from the ERP solution RELion, which is focused on the commercial-property segment, are expected to be much higher than in 2021, mainly due to the upswing in consulting services. Business volumes for Aareon Cloud Services and the BauSecura insurance management solution will be similar to last year. The ERP system immotion®, which has been part of the product portfolio since the acquisition of GAP-Group, will contribute to the strong rise in ERP revenues in 2022.

Digital solutions will be decisive in helping Aareon realise its growth potential in the DACH segment. Since 2021, some digital solutions have been marketed together with Wodis Yuneo in a variety of process-oriented packages, further enhancing digital-solutions sales. In the case of WRM and CRM

products (for definition see section “Aareon’s portfolio”, p. 22), we expect in particular to see an increase in SaaS revenues as further products go live and wohnungshelden GmbH’s digital solutions are added to the portfolio. Revenues from SRM products (for definition see section “Aareon’s portfolio”, p. 22) should increase as the volume of orders from tradespeople managed via Mareon rise and new customers are acquired for the Vacancy Management solution. Aareon estimates that revenues from CalCon Germany GmbH’s BRM solution will rise significantly in 2022. This estimate is based, in particular, on the assumption that the Covid-19 restrictions will be relaxed in 2022 and that all product consultations will then be able to take place in person again.

Capacity will be added in order to boost business volume and achieve our medium-term goals, resulting in higher material and staff costs. Moreover, the expenses incurred by inorganic growth during the year will add to costs. Other costs will rise in 2022 due to growth in business travel and marketing activities.

International Business segment

Revenues in the International Business segment are expected to increase significantly in 2022, rising to € 110.0–120.0 million (2021: € 105.1 million). In part due to the corporate acquisitions made in 2021, adjusted EBITDA will rise significantly, reaching € 25.0–27.0 million in 2022 (2021: € 21.4 million).

ERP product revenues in the International Business segment are expected to be significantly higher than last year. In 2022, international consulting revenues will gradually approach pre-pandemic levels again. In the Netherlands, the share of business accounted for by SaaS, in particular, will increase

substantially – driven by the acquisition in May 2021 of BriqVest B.V. (Twinq), which opened up a new market segment. In France, we expect to post significant revenue growth. A project for a major customer is slated for implementation in 2022. In the British market, Aareon UK will release an SaaS-capable version of its ERP software QL in 2022, which is expected to trigger a sharp rise in recurring revenues. In the SMB market segment (see section “Goals and strategies”, p.25), the company expects to continue gaining large numbers of new customers. We also expect to see a rise in recurring revenues in the Nordics. The software solution marketed there will be offered as standard software going forward. As a result, consulting revenues will be on a par with last year.

Revenues from digital solutions in the International Business segment are expected to be substantially higher than last year. Key growth drivers will be the digital solutions added through acquisitions in 2021 and the cross-selling of digital solutions to existing customers. Both licensing revenues and recurring revenues from SRM and CRM products (for definition see section “Aareon’s portfolio”, p. 22) should increase. Recurring revenues from WRM products (for definition see section “Aareon’s portfolio”, p. 22) are likely to rise, with the new product generation of Mobile in the UK being one factor in this increase. SaaS revenues from international BRM products (for definition see section “Aareon’s portfolio”, p. 22) should be higher. In the international markets, too, some solutions will be marketed in product packages, which should increase the market penetration of digital solutions.

On the cost side, both the workforce and staff costs will increase as business volume expands to meet the company’s medium-term growth targets. The cost of materials, which also includes the cost of external consultants, will climb as

well. As in the DACH region, other costs should rise considerably – on the assumption that, among other things, business travel picks up again.

Capital spending on new products and inorganic growth

In 2022, Aareon will press ahead with its offensive to develop new products and services. The virtual assistant Neela will be further refined as planned and new functionalities added. The marketing launch has already commenced in all countries. The first pilot customers are already in the launch and test phase, and will go live in the course of 2022. The same goes for the Aareon Smart Platform and Smart Partner solutions, which will also be offered across all national markets in 2022. Further investments on new products is also planned for 2022. For example, the company is working on a solution for predictive repairs and maintenance and to bring customers, landlords and partners together on a digital

platform. In addition, the capacities built up for M&As and post-merger integration will be utilised to continue driving Aareon's inorganic growth in 2022 (see section "Goals and strategies", p. 25) and successfully integrating the acquired companies. To this end, Aareal Bank will provide its subsidiary with an additional € 100 million; the line of credit for acquisitions will thus total € 350 million during the planning period until 2024.

The effect on EBITDA from adjustments – such as capital expenditure on new products, and M&A and post-merger costs – is expected to be between € -13.0 million and € -15.0 million.

All statements made in this Group Management Report that do not pertain to past events should be regarded as forward-looking statements. The company does not accept any responsibility for updating or correcting such forward-looking statements. All forward-looking statements are subject to differing risks and levels of uncertainty. As a result, the actual figures may deviate from expectations. The forward-looking statements reflect the prevailing opinion at the time that they were made.

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Consolidated statement of comprehensive income

For the period 1 January to 31 December

€ '000	Note	2021	2020
Revenues	04.1	269,327	258,055
DACH		164,208	163,893
International Business		105,119	94,162
Other own work capitalised	05.1	14,244	8,177
Other income	04.2	5,888	4,750
Cost of materials	04.3	48,434	45,248
Staff costs	04.4	160,712	142,658
Other expenses	04.5	37,533	29,766
EBITDA (earnings before interest, taxes, depreciation and amortisation)		42,780	53,310
Depreciation/amortisation and impairments		30,785	24,321
EBIT (earnings before interest and taxes)		11,995	28,989
Financial income	04.6	78	116
Financing expenses	04.6	-6,553	-1,339
Net income from equity-accounted investments	05.3	-501	-473
EBT (earnings before taxes)		5,019	27,293
Income taxes	04.7	5,625	9,435
Consolidated net profit		-606	17,858
Of which attributable to:			
Shareholders of the parent company		-2,737	15,823
Non-controlling interests		2,131	2,035
Other comprehensive income (OCI)		6,549	-1,966
Items recycled to profit and loss		3,137	-92
Currency translation differences from international business operations		3,137	-92
Items not recycled to profit and loss		3,412	-1,874
Fair-value remeasurement gains on financial instruments	05.3	1,000	0
Actuarial gains/losses from defined benefit plans	05.14	3,508	-2,662
Income tax on actuarial gains and losses from defined benefit plans	05.14	-1,096	788
Comprehensive income		5,943	15,892
Of which attributable to:			
Shareholders of the parent company		3,812	13,857
Non-controlling interests		2,131	2,035

Consolidated balance sheet

As at 31 December

Assets – € '000			
	Note	31 Dec. 2021	31 Dec. 2020
Non-current assets			
Intangible assets	05.1	361,348	173,436
Property, plant and equipment		14,387	14,625
Right-of-use assets	05.2	54,753	55,175
Financial assets	05.3/05.4	11,448	14,176
Other non-current assets	05.2	1,677	2,056
Deferred tax assets	05.6	4,592	5,202
		448,205	264,670
Current assets			
Inventories		290	424
Contract assets*	05.7	19,954	18,425
Receivables from customers*	05.7	29,477	33,487
Other current assets	05.8	6,558	7,492
Current income tax receivables		9,047	5,146
Securities		53	0
Cash and cash equivalents	05.9	32,548	50,385
		97,927	115,359
		546,132	380,029
Equity and liabilities – € '000			
	Note	31 Dec. 2021	31 Dec. 2020
Equity			
Equity attributable to shareholders	05.10/11/12	206,656	198,791
Non-controlling interests	05.13	2,326	2,225
		208,982	201,016
Non-current liabilities			
Provisions for pensions and similar obligations	05.14	33,412	37,713
Other non-current provisions	05.15	1,417	1,451
Non-current lease liabilities	05.2	53,210	54,413
Deferred tax liabilities	05.5	19,118	10,498
Non-current purchase price liabilities	05.16	4,220	1,975
Financing liabilities	06.2	134,687	0
		246,064	106,050
Current liabilities			
Other current provisions	05.15	19,009	14,908
Income tax liabilities		1,126	361
Current purchase price liabilities	05.16	3,630	276
Trade payables	05.17	13,585	11,173
Contract liabilities	05.18	23,591	19,888
Current lease liabilities	05.2	8,495	8,038
Other liabilities	05.19	21,650	18,319
		91,086	72,963
		546,132	380,029

* Prior-year figure restated

Consolidated statement of changes in equity

For the period 1 January 2020 to 31 December 2021

€ '000

	Equity attributable to shareholders				Total before non-controlling interests	Non-controlling interests		Total
	Subscribed capital	Share premium	Currency translation differences	Accumulated group earnings and profits		Subscribed capital	Accumulated group earnings and profits	
1 January 2020	25,000	41,900	-5,004	123,038	184,934	84	2,041	187,059
Dividend	0	0	0	0	0	0	-1,948	-1,948
Changes in scope of consolidation	0	0	0	0	0	0	13	13
Total net income for the period	0	0	-92	13,949	13,857	0	2,035	15,892
Consolidated net profit	0	0	0	15,823	15,823	0	2,035	17,858
Other comprehensive income (OCI)	0	0	-92	-1,874	-1,966	0	0	-1,966
31 December 2020	25,000	41,900	-5,096	136,987	198,791	84	2,141	201,016
1 January 2021	25,000	41,900	-5,096	136,987	198,791	84	2,141	201,016
Capital increase	48	1,614	0	0	1,662	0	0	1,662
Dividend	0	0	0	0	0	0	-2,029	-2,029
Derecognition of equity instruments and transfer to retained earnings	0	0	0	2,391	2,391	0	0	2,391
Total net income for the period	0	0	3,137	675	3,812	0	2,131	5,943
Consolidated net loss/profit for the year	0	0	0	-2,737	-2,737	0	2,131	-606
Other comprehensive income (OCI)	0	0	3,137	3,412	6,549	0	0	6,549
31 December 2021	25,048	43,514	-1,959	140,053	206,656	84	2,243	208,983

Consolidated statement of cash flows

For the period 1 January to 31 December

€ '000	2021	2020
EBIT (earnings before interest and taxes)	11,995	28,989
Depreciation/amortisation and impairments of non-current intangible assets and property, plant and equipment	30,785	24,321
Income taxes paid and income tax refunds received	-10,264	-13,227
Other non-cash expenses/income*	-2,162	-1,863
Payments from lease receivables*	485	470
Increase (-)/decrease (+) from changes in assets	5,408	7,493
Increase (+)/decrease (-) from changes in liabilities*	-97	9,451
Cash flow from operating activities	36,150	55,634
Net payments for investments in non-current assets	-28,163	-19,277
Payments for the purchase of consolidated companies (less cash and cash equivalents acquired)	-148,554	-22,207
Capital increases for other business units	-990	0
Payments from the sale of Immomio GmbH	4,150	0
Payments made/received for loans	0	-3,950
Cash flow from investing activities	-173,557	-45,434
Drawdown of non-current liabilities to banks	137,500	0
Fees paid in advance for loans granted	-3,750	0
Repayment and interest components of lease payments	-10,159	-9,866
Interest received*	8	4
Interest paid*	-3,062	-145
Payments to non-controlling interests	-2,029	-1,948
Capital increases/repayments and other equity transactions*	1,062	222
Cash flow from financing activities	119,570	-11,733
Cash change in cash and cash equivalents	-18,056	-1,475
Exchange-rate-related changes in cash and cash equivalents	219	-58
Total change in cash and cash equivalents	-17,837	-1,533
Cash funds at the beginning of the period	50,385	51,918
Cash funds at the end of the period	32,548	50,385

* Prior-year figure restated

Notes to the consolidated financial statements

01 General disclosures

The 2021 consolidated financial statements of Aareon AG, Isaac-Fulda-Allee 6, 55124 Mainz, Germany – entered in the commercial register of the Local Court in Mainz (HR B No. 7713) – were prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), the interpretations of the former Standing Interpretations Committee (SIC) as applicable in the EU, as well as with the applicable provisions of Section 315e (3) in combination with Section 315e (1) of the German Commercial Code (Handelsgesetzbuch – HGB). All of the International Financial Reporting Standards that must be applied for the consolidated financial statements as at 31 December 2021 were taken into account. The financial statements give a true and fair view of the net assets, financial situation and earnings of the Aareon Group. The consolidated financial statements have been prepared in euros. Unless indicated otherwise, all amounts are shown in thousands of euros (€ '000 or €k).

For the sake of enhanced clarity and transparency, all information on individual items in the balance sheet or statement of comprehensive income that is provided in accordance with statutory provisions and that may be shown in either the balance sheet or statement of comprehensive income or in the Notes section is given in the Notes. Where individual items are summarised in the balance sheet and the statement of comprehensive income, they are broken down in the Notes.

Aareon AG is a majority-owned subsidiary of Aareal Bank AG, Paulinenstraße 15, 65189 Wiesbaden, Germany. AI Houses (Luxembourg) S.à r.l., 2–4 rue Beck, 1222 Luxembourg – a company owned by Advent International Corporation, 800 Boylston Street, Boston, USA – has a material non-controlling interest in Aareon. The ownership shares are as follows: 58.7% Aareal Bank AG, Wiesbaden, Germany;

25.1% AI Houses (Luxembourg) S.à r.l., Luxembourg; 16% Houses 2021 MEP Beteiligungs GmbH, Wiesbaden, Germany; 0.2% Houses Nominee Ltd., UK. Aareal Bank AG prepares consolidated financial statements for the lowest and highest consolidation levels. Aareon AG is included in the consolidated financial statements of Aareal Bank AG pursuant to the pertinent provisions concerning consolidation. The financial statements are published in Germany's Federal Gazette (Bundesanzeiger).

02 Information on accounting policies and consolidation methods

02.1 Accounting principles

In order to ensure the comparability of the financial statements of different periods, a general continuity is preserved in the methods of presentation used and the accounting policies applied.

The principle of materiality is observed when disclosing information. For arithmetical reasons, rounding differences of up to one unit in either direction may occur in tables. The statement of comprehensive income has been prepared using the total cost method. All assets and liabilities with maturities of less than one year are recognised as current assets.

The presentation of the consolidated financial statements is subject both to the recognition and measurement methods used to prepare those statements and to the uncertainty of the assumptions and estimates made in respect of future events. Where assumptions and estimates are required for accounting and measurement purposes, they are made in accordance with the relevant accounting standards. The estimates and assumptions are based on historical experience and other metrics such as planning figures. The estimates and assessments used, as well as the underlying assessment factors and estimation methods, are regularly reviewed

and compared with the events that actually occur. With regard to the estimates and assumptions made for the purposes of accounting and measurement, we refer to the disclosures made for each item in the following sections. In our opinion, the parameters used are both suitable and reasonable, even when the current Covid-19 pandemic is taken into account.

02.2 Consolidation principles

In accordance with IFRS, the separate financial statements of the individual subsidiaries are included in the consolidated financial statements by uniformly applying the accounting policies defined by Aareon AG. The consolidated subsidiaries' historical cost, calculated in accordance with the purchase method, is offset against their proportionate equity, measured at fair value, on their respective dates of acquisition. Any goodwill remaining is recognised under intangible assets.

All receivables and liabilities as well as revenues, income or expenses resulting from transactions between the consolidated companies have been eliminated. Balancing items for non-controlling interests were created for any shares in consolidated subsidiaries not held by the parent company.

Associates are included in Aareon's consolidated financial statements in accordance with the equity method.

02.3 Currency translation

The companies belonging to the Aareon Group are independent sub-units. Financial statements prepared in currencies other than the euro are translated into euros using the functional currency method. The items in the statement of comprehensive income are translated using the average exchange rate; all monetary and non-monetary assets and liabilities are translated into euros on the reporting date. Both the average and reporting-date rates are calculated using the European Central Bank's reference rate. Currency translation gains/losses – arising from the above transactions as well as from the conversion of foreign currencies – are

recognised in profit or loss. Differences affecting equity are disclosed in other comprehensive income until disposal of the subsidiary. This also applies to any deviations between the unappropriated surplus, which is converted using the closing rate at the reporting date, and the results shown in the consolidated statement of comprehensive income, which are based on average exchange rates. The components of equity to be consolidated as capital are translated using historical exchange rates.

The following rates were used for currency translation:

		Balance sheet		Statement of comprehensive income	
		Closing rate		Average exchange rate	
		2021	2020	2021	2020
United Kingdom	GBP	0.8403	0.8990	0.8596	0.8892
Sweden	SEK	10.2503	10.0343	10.1465	10.4881
Norway	NOK	9.9888	10.4703	10.1633	10.7248
Romania	RON	4.9490	4.8683	4.9215	4.8380
Switzerland	CHF	1.0331	1.0802	1.0811	1.0703

The EUR-CHF exchange rate is included because Aareon RELION GmbH has a branch office in Switzerland.

02.4 Scope of consolidation

The group of consolidated companies includes Aareon AG as well as all subsidiaries in which Aareon AG either directly or indirectly holds the majority of voting rights or has the right to appoint the majority of the Supervisory Board members, or which it has gained control over in some other way (see Note 5.5).

In view of the large number of business combinations in 2021, these are summarised in tabular form and broken down by region into the UK, the Netherlands and DACH.

In the UK, Aareon had already signed a contract on 23 December 2020 to purchase a 100-percent stake in Arthur Online Ltd. ("Arthur"), London. The acquisition took effect on 29 January 2021 and marked Aareon's entry into a new market segment in the UK: SMEs. The acquisition of all the shares in Tactile Ltd. (Fixflo), London, on 21 May 2021 enabled Aareon to add property repair and maintenance software to its UK product range. This was followed on 2 July 2021 by the acquisition of RentPro Ltd. and Curo Software Ltd., both based in Warrenpoint and operating under the name Tilt Property Software (Tilt). The goodwill arising from the acquisitions made in the UK represents the opportunities they offer Aareon to enter the SME market. Arthur's platform model promises Aareon high margins and its customers comprehensive services. The goodwill also includes synergy effects from cross-selling Tactile Ltd.'s digital solution Fixflo to customers of Arthur Online Ltd., as well as opportunities to significantly increase revenues, especially from the migration of Tilt customers to the Arthur platform. In order to manage the new acquisitions efficiently, Aareon SMB Hub UK Ltd. was established on 22 November 2021. The acquired companies will be sold to the latter in an intra-Group transaction in the course of this year.

In the Netherlands, on 7 May 2021, the company acquired a 100% stake in BriqVest B.V., Oosterhout, along with four further subsidiaries (Twinq). This acquisition marks Aareon's entry into the market for shared ownership property management in the Netherlands. The resulting goodwill represents the opportunities offered by entry into this niche market, one in which Aareon Nederland was previously not involved. The acquisition offers significant potential for cross-selling of Aareon Smart World.

In the DACH region, Aareon acquired all the shares in the start-up wohnungshelden GmbH, Munich, on 10 August 2021. The latter's digital solution allows housing companies to digitalise their entire rental process. Thus, Aareon's new ImmoBlue Pro solution complements the existing product

portfolio for rental processes. On 17 August 2021, Aareon acquired the remaining shares in office rental PropTech OFI Group GmbH, Frankfurt am Main, making it that company's sole owner. Aareon previously held just under 36% of the shares in this online platform for office rentals (see also Note 4.2). On 29 October 2021, Aareon acquired a 100% stake in GAP Gesellschaft für Anwenderprogramme und Organisationsberatung mbH, Bremen, as well as in one of its subsidiaries (GAP-Group). GAP-Group is a long-standing provider of a mature ERP solution in the German market. The goodwill resulting from these acquisitions in the DACH segment, especially that of GAP-Group, represents opportunities to grow market share. The business combination can help Aareon tap synergies such as the cross-selling of digital solutions from Aareon Smart World.

Business combinations			
in € '000 (preliminary figures)			
	Arthur		
	Online	Tactile	Twinq
Fair value of consideration			
Cash and cash equivalents	17,662	41,199	32,813
Equity shares in Aareon AG	1,663	0	0
Amounts recognised for acquired assets and liabilities			
Goodwill	14,626	35,527	24,345
Purchased software and other intangible assets	3,122	1,953	5,605
Customer relations	1,041	3,649	9,405
Brand rights	651	301	278
Property, plant and equipment, and right-of-use assets	243	18	721
Trade receivables	179	199	812
Other assets	334	191	337
Cash and cash equivalents	394	927	1,878
Trade payables	214	99	962
Financial and lease liabilities	214	0	0
Other liabilities	360	905	6,157
Deferred tax liabilities	476	563	3,447
Net assets acquired	19,326	41,198	32,813
Other disclosures			
Associated acquisition costs	1,210	1,024	400
Revenues since acquisition date	2,314	3,545	2,131
Profit/loss since acquisition date	-1,115	617	702
Revenues assuming purchase on 1 January (estimate)	2,524	5,318	5,524
Profit/loss assuming purchase on 1 January (estimate)	-1,217	926	1,053

Business combinations			Other
in € '000 (preliminary figures)			aggregated
	GAP-Group		business
			combinations
Fair value of consideration			
Cash and cash equivalents	53,132		13,910
Addition from consolidation of OFI Group GmbH	0		1,005
Contingent consideration			
Amount recognised	0		3,976
Estimation of the range of results (not discounted)	0		0-7,782
Amounts recognised for acquired assets and liabilities			
Goodwill	43,322		16,526
Purchased software and other intangible assets	4,533		1,478
Customer relations	8,425		2,774
Brand rights	408		152
Property, plant and equipment, and right-of-use assets	1,267		21
Trade receivables	280		102
Other assets	213		866
Cash and cash equivalents	2,575		1,702
Trade payables	160		49
Financial and lease liabilities	1,102		2,955
Other liabilities	2,434		406
Deferred tax liabilities	4,194		1,320
Net assets acquired	53,132		18,890
Other disclosures			
Associated acquisition costs	1,512		800
Revenues since acquisition date	1,387		807
Profit/loss since acquisition date	529		121
Revenues assuming purchase on 1 January (estimate)	8,320		1,904
Profit/loss assuming purchase on 1 January (estimate)	3,175		342

The column “Other aggregated business combinations” comprises the acquisitions of Tilt, wohnungshelden and OFI Group, which are not material when viewed individually. Trade receivables do not include amounts likely to be irretrievable and thus materially impaired. No contingent liabilities exist, nor any goodwill that is deductible for tax purposes. Contingent purchase prices arose from the acquisition of Tilt (in relation to the migration of Tilt customers to Arthur Online) and from the acquisition of wohnungshelden. The contingent purchase prices from the latter depend on the increase in recurring revenues. All associated acquisition costs are recognized under “Other expenses”.

02.5 Changes in accounting policies

The following IFRSs, which must be applied in accounting periods beginning on or after 1 January 2021, had no effect on Aareon’s accounting practices. These include in particular:

- Interest rate benchmark reform (IBOR reform) – Phase 2: Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Disclosure and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts and IFRS 16, Leases, all of which are from August 2020 – amendments in connection with implementation of the IBOR Reform and questions arising from the replacement of one interest rate benchmark with another.

Future new or amended IFRS standards are to be taken into account as follows:

- As from 1 April 2021: Covid-19-Related Rent Concessions after 30 June 2021 (Amendment to IFRS 16)
- As from 1 January 2022: Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), Annual Improvements to IFRSs, 2018–2020 Cycle, Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), Reference to the Conceptual Framework (Amendments to IFRS 3)
- As from 1 January 2023: Classification of Liabilities as Current or Non-current (Amendments to IAS 1), Insurance Contracts

(Amendments to IFRS 17), Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), Definition of Accounting Estimates (Amendments to IAS 8), Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

From the 2021 reporting period onwards, contract assets and trade receivables are recognised separately in the consolidated balance sheet in accordance with IAS 1.54h. The prior-year figures were restated accordingly. Further adjustments in disclosures that did not provide any additional information were made in the consolidated statement of comprehensive income, in the statement of changes in equity and in the consolidated statement of cash flows. The nature of the company’s financing expenses changed following the conclusion of debt financing in 2021. These expenses are now recognised under cash flow from financing activities. The prior-year figures were also restated accordingly.

03 Accounting principles

03.1 Intangible assets

The goodwill of every cash-generating unit (CGU) is tested annually for impairment on 31 December. Aareon distinguishes six CGUs: Aareon DACH, SMB UK, Aareon Netherlands, Aareon France, Aareon Nordics and Aareon UK. Given the CGUs’ similar business models, the same assumptions and methods are applied when testing for impairment. The goodwill’s value is measured on the basis of the present value of future cash flows (value in use), which is determined using medium-term planning figures. This entails using the projected cash flows from the three-year plan adopted by Aareon AG’s Management Board and approved by its Supervisory Board. Thus, the revenue and expense items are planned individually over this three-year period. The values assigned to the main assumptions are based on internal and external factors as well as on past experience. The previous year’s planning figures also play a central role. Revenue planning is based mainly on assumptions regarding new

business as well as renewals of contracts and additional business with existing customers. These assumptions also represent the main sources of estimation uncertainty. Regular revenues from existing customers, such as fees from licensing and maintenance contracts, are not generally subject to any major estimation uncertainty. The cost of materials is planned on the basis of planned revenues. Personnel numbers and salary growth are the main factors determining the personnel budget. Other costs are generally projected on the basis of prior-year figures, taking into account known non-recurring effects. On the expenses side, estimation uncertainty arises as a result of unplanned price increases and unpredictable non-recurring effects. The more forward-looking the assumptions, the higher the estimation uncertainty. As a rule, cash flows after the four-year time horizon are measured taking the perpetual annuity into account. We expect EBITDA at all CGUs to increase – mainly due to the cross-selling push with digital solutions, to the upswing in consulting revenues, and to the acquisitions made (applies to Aareon DACH and Aareon Netherlands). The present value of future cash flows is determined on the basis of a Group-wide risk-adjusted discount rate of 7.50% after tax. The discount rate is calculated as the sum of a risk-free base interest rate of 0.07% plus a company-specific risk loading of 7.50% multiplied by a beta factor of 0.99. In view of the uncertain nature of planning beyond three years, we take a cautious view of the market environment and assume a growth rate of 2%. With the exception of the CGU Nordics – that part of the International Business segment covered by Sweden, Norway and Finland – the recoverable amounts are well in excess of the carrying amounts. The impairment loss on goodwill for the CGU Nordics came to € 3,000k in the reporting period. In the case of all other CGUs, even if there is a significant change in one of the main assumptions described above – such as an increase of 1% in the risk-adjusted discount rate, a reduction of 5% in the EBITDA included in cash flow or a drop in the growth rate to 1% – no impairment is recognised, all else being equal. The recoverable amount for the CGU Nordics is derived from the value in use and is equivalent to € 17,000k. The main assumption with regard to EBITDA is that

it will be equivalent to € 0k after the first investment year in 2022 and will increase to the equivalent of € 1,800–2,200k between 2023 and 2025; in subsequent reporting periods it will grow by around 2% annually. In order to achieve the recoverable amounts, EBITDA would have to increase by around 10%.

Goodwill for the CGU Nordics had to be impaired owing to the shift to a business model involving software that requires less consulting. Previously, the large number of adjustments required by each customer meant that projects could not always be implemented to the customers' complete satisfaction. This will result in a significant decline in consulting revenues compared with previous years, which will gradually lead to lower costs. Further capital expenditure will be required in the coming years to remain in a position to offer a state-of-the-art SaaS-capable ERP solution. As a result, overall cash flows will be lower than previously planned.

Purchased intangible assets – primarily software, customer relations and brands – and internally generated software are capitalised at cost. They are subject to straight-line amortisation in accordance with their customary useful lives. The amortisation methods and useful lives are reviewed annually.

Useful lives of intangible assets

Internally generated intangible assets	3–10 years
Acquired intangible assets (software, customer relations and brands)	3–25 years

Aareon offers its customers acquired and internally generated software in the form of ERP systems and digital solutions. Aareon's country-specific ERP systems provide support for the business processes of our property-industry customers, e.g. to achieve process efficiency and quality, and assist in business management and risk management. These systems enable customers to organise not only their core processes, but all their key portfolio management processes, e.g. contract

and receivables management as well as reporting solutions for providers of commercial property. The latter can be linked to digital solutions via the digital platform.

Research costs are treated as current expense in accordance with IAS 38. Development costs for internally generated software are recognised as assets if the prerequisites for recognition under IAS 38 are met.

03.2 Property, plant and equipment

Items of property, plant and equipment are measured at cost, including restoration obligations that are required to be capitalised under IAS 16. Insofar as the items are wasting assets, they are subject to straight-line depreciation in accordance with the expected useful lives of the components. The depreciation methods and useful lives are reviewed annually. The useful lives of the principal components are presented below:

Useful lives of property, plant and equipment

Buildings	40 years
Tenant's improvements	8–15 years
Other equipment and office furniture/equipment	3–23 years

An impairment loss within the meaning of IAS 36 is recognised if it is compulsory to carry the asset at a lower value, i.e. if the net realisable value or the value in use of the asset in question is lower than its carrying amount.

03.3 Leases

In accordance with IFRS 16, Aareon recognises in the balance sheet all leases – with the exception of those for intangible assets as described in IFRS 16.4 – and all associated assets and liabilities, with a term of 12 months or more, unless the underlying asset is of low value (under € 4,000). Where Aareon is the lessee, an asset is recognised representing Aareon's right of use of the underlying leased object. In addition, a lease liability is recognised representing Aareon's obligation

to make lease payments. In order to calculate their present value, the lease payments are discounted at the rate determined on the basis of the marginal borrowing rate for the corresponding maturity band in the corresponding currency. The terms of the leases are determined based on the underlying non-cancellable term, taking into account the lessee's extension and termination options, provided it is sufficiently certain they will be exercised. Where Aareon is the lessor, the leases are classified either as finance leases or operating leases. Subsequent recognition of leases is at amortised cost. The right-of-use assets are amortised on a straight-line basis for the duration of each lease. Where contracts contain both non-lease and lease components, Aareon elects, in line with the practical expedient granted under IFRS 16.15, not to separate these components. The right-of-use assets are subjected to an annual impairment test. The method used is fundamentally the same as that applied when testing goodwill for impairment (Note 3.1). No impairment was required here either in the reporting period.

03.4 Financial assets and financial liabilities

Under IFRS 9, the classification of financial assets depends on the respective business model and on fulfilment of the cash flow criterion. The following business models are possible with debt instruments (e.g. receivables or fixed-income securities):

- Held-to-collect
- Held-to-collect and for sale
- Other business models (those that cannot be assigned to either of the above models)

It also makes a distinction between whether the financial assets are subject to contractual cash flows or whether the cash flows are solely payments of principal and interest (SPPI) for the asset.

Aareon classifies trade receivables, contract assets, lease receivables and other financial assets as well as financial liabilities as held-to-collect. Trade receivables are amounts

owed by customers for goods sold and services rendered in normal business operations. Financial assets are initially recognised in the amount of the non-contingent consideration. Subsequent recognition is at amortised cost. Financial liabilities are likewise recognised at amortised cost. Aareon does not exercise its option to recognise them at fair value. Any transaction costs incurred are offset against the corresponding financial liabilities and amortised over the term of the underlying liability using the effective-interest method. This category includes, in particular, financial liabilities, trade payables and non-derivative other current and non-current liabilities.

The risk of default inherent in financial assets is considered to be low. The business environment – i.e. the property sector – is deemed to be fundamentally robust. This has been particularly apparent during the Covid-19 pandemic. As the majority of customers are state-owned, there is little or no risk of default. What is more, the roughly 8,000-strong customer base is diversified and does not display any material cluster risk. The assessment of the sector given above is stable and also applies to the future, provided there is no change in the risk assessment. Potential risks are countered by means of loss allowances. These are calculated in accordance with the simplified approach permissible under IFRS 9, i.e. on the basis of the lifetime expected credit losses. Depending on the customer’s situation and the maturity structure, both collective and individual assessments may be made when determining loss allowances. Where collective assessments are made, the following calculation method is applied:

Receivable from customer past-due for	Collective loss allowance
0–90 days	0%
91–180 days	50%
181–360 days	80%
over 360 days	100%

In addition to individual and collective methods based on the maturity structure, a further collective loss allowance of 0.5% is applied to all receivables due from customers and to contract assets. Impaired receivables are pursued through a dunning procedure. The first step is generally to speak directly with the customer in order to effect payment. If the receivable is material, the final step may entail legal proceedings against the debtor.

At Group level, financial risks are assessed via the risk management system. Risks are assessed in two separate dimensions, namely in terms of their impact and their probability of occurrence. Individual risk reports from the corporate departments are consolidated by the Group’s Legal, Risk Management and Compliance unit and provide the basis for quarterly risk reporting. This topic is dealt with regularly at board meetings and also forms part of the quarterly reports submitted to the Supervisory Board of Aareon AG. Aareon uses the risk reporting system to shed light on its risk situation and provide management with a basis for deciding what action to take. Risk reporting comprises financial and market risks, management and organisational risks, risks from incidental and ambient conditions, and production risks. Financial risks comprise liquidity, cost and revenue risks. No loan commitments or financial guarantees are in place.

Foreign-currency receivables are converted into euros using the closing rate at the reporting date.

Contract assets in connection with service contracts not yet satisfied as of the reporting date are recognised based on their percentage of completion (input method). The percentage of completion is calculated based on a comparison of the order costs already incurred with the expected total order costs. Other unfinished customer orders are recognised in the amount of the order costs incurred, insofar as it is probable that these will be covered by income.

With equity instruments, Aareon decides on a case-by-case basis whether to exercise its option to recognise an instrument through other comprehensive income. Changes in fair value are recognised in other comprehensive income (OCI). When equity instruments are derecognised, they are transferred to retained earnings. If derivatives are held, they too are recognised at fair value through profit or loss.

03.5 Inventories

Inventories are recognised at cost. Financing costs are not taken into account. Inventories are measured at the reporting date at cost or net realisable value, whichever is lower.

03.6 Deferred taxes

Deferred taxes are recognised in line with IAS 12 for all temporary differences between the carrying amounts in the tax base and those in the consolidated balance sheet (temporary difference approach). Deferred taxes also have to be recognised for losses carried forward. The liability method is used to calculate deferred taxes. The deferred amounts recognised reflect the assumed tax burden or relief in future accounting periods based on the applicable tax rate at the time of realisation. Deferred taxes are determined using country-specific tax rates that are either already in effect or have been announced at the reporting date. Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the temporary differences and unused tax loss carryforwards can be offset. The carrying amounts are reviewed at each reporting date and adjusted where necessary. They are reduced accordingly if it is no longer probable that sufficient taxable profit will be available for offset.

No deferred taxes are recognised if income from subsidiaries is tax-free due to specific local tax regulations and it is unclear what tax effects will result from removal of the temporary tax exemption.

03.7 Provisions for pensions and similar obligations

Provisions for pension obligations are primarily recognised for commitments arising out of pension plans, i.e. retirement pensions, disability pensions and benefits for surviving dependants. The actuarial measurement of pension provisions is based on the projected unit credit method prescribed for pension commitments in IAS 19. As a rule, these are defined benefit commitments, i.e. the pension promised to the respective employees depends on the development of their salaries and the number of years of service they achieve (defined benefit obligation). This method takes future increases in salaries and pensions into account as well as the pensions and commitments known at the reporting date. The amount recognised as the provision is the present value of the entitlement to pension benefits that the eligible employees have earned. Any plan assets offset against the provision are recognised at fair value.

03.8 Income tax liabilities

Provisions for taxes include obligations in connection with current income taxes. Deferred taxes are disclosed under a separate balance sheet item and in the tax reconciliation statement.

03.9 Other provisions

Other provisions are recognised if Aareon has a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources. The amount of the provision corresponds to the best possible estimate at the reporting date of the amount required to settle the present obligation. Provisions that will not already lead to an outflow of resources in the following year are recognised at their settlement value if no material impact on interest would result. The settlement value also comprises any cost increases to be taken into account at the reporting date. Provisions in foreign currencies are translated using the closing rate at the reporting date.

03.10 Liabilities

Liabilities are recognized at amortised cost. Liabilities from leases and purchase price liabilities are recognised at fair value.

03.11 Recognition of income and expenses

Revenues and other income are recognised when the performance obligation is satisfied or when the customer obtains control of the goods or services.

Aareon generates its revenues mainly through

- Licensing agreements
- Maintenance, subscription and SaaS contracts
- Consultancy contracts

Contracts are offered individually and also in combination. For example, a maintenance contract is generally offered together with a licensing contract. In economic terms, these are viewed as forming a unit. The transaction price is allocated to the performance obligation in accordance with the price quoted in the market.

Revenue from licensing agreements concerns, in particular, the granting of rights of use for software products operated by customers in accordance with the in-house model. "In-house model" means the customers run Aareon's software on their own servers and are responsible for ensuring its functionality. In this context, the solutions developed by Aareon run on databases from third-party providers such as SAP®, Oracle® and Microsoft®. In the majority of these cases, Aareon acts on its own account in marketing these third-party licences and bears the implementation risk itself. Only in cases of minor importance does Aareon act as an agent and is paid commission for brokering the third-party licence. In the majority of cases, the right of use is granted for an indefinite period. In the case of Tobias AX, the right of use is granted for a limited time period, with the result that the customer has to pay for regular licence renewals. The software products are technical solutions that help property-

industry customers to organise their business processes and, for example, to manage and control their property portfolios. Aareon's performance obligation towards the customer consists in granting the latter a right to use the software products. Revenue from licensing agreements is recognised when a contract has been signed by both parties with no rights of withdrawal, the product has been delivered in full (e.g. through provision of the licence key) and the licence fee has been determined. This means the customer has obtained control of the right of use granted to it. Payment is generally made after conclusion of the licence agreement or after successful implementation of the software; the deadline for payment can be up to 45 days.

Maintenance contracts are concluded when customers enter into a licensing agreement in accordance with the above-mentioned in-house model (i.e. the customers run the software on their own servers and are thus responsible for ensuring its functionality). Under maintenance contracts, services include the provision of regular updates and support services for ongoing operation of the software.

Since 2021, Aareon has also offered subscription contracts (rental software). In the DACH segment, Aareon undertakes to deliver new material functionalities to its customers at very short intervals. The customer, in turn, is required to load these new functionalities and versions promptly, as Aareon's maintenance and support are restricted to these. Unlike with a licensing contract, Aareon must ensure the rental software is fully functional at all times. The customer is obliged to return the software undamaged at the end of the subscription period.

In the case of SaaS (software-as-a-service) contracts, the customers do not operate the software in-house, i.e. on their own. Instead, the customers are granted access to Aareon's server, and the software functions are provided via that server. Aareon's performance consists in providing a right of access and, as is the case with maintenance contracts, executing regular updates and providing support services.

Revenues from maintenance and subscription contracts for Wodis Yuneo and from SaaS services are recognised pro rata temporis, i.e. over the contractually agreed service provision period. The latter commences on the go-live date. The customers pay their fees monthly or in advance for a certain period (at most one year). That portion of the advance payment covering the performance obligation not yet satisfied is recognised as a contract liability and reversed in profit or loss in proportion to future performance. The customer derives benefit from the service and, at the same time, makes use of the service as it is being rendered.

Consulting services include, for example, product customisation requests from customers, training provided in the use of the software (modules) and implementation services for migration projects. Revenue is recognised once the service has been rendered. In this context, assets are also generated or improved over which the customer has gained control. Revenue and contract assets are recognised in accordance with the percentage of completion, which is based on an input method. Under this method, a project's percentage of completion is calculated based on a comparison of the order costs already incurred – essentially for the personnel or external consultants deployed – with the total order costs expected. Customers make advance payments for the services Aareon provides. These are either netted against the corresponding contract assets, or recognised as contract liabilities insofar as the advance payment received exceeds the value of the contract asset.

In many cases Aareon's contracts contain a single performance obligation, with the result that it is not necessary to divide up the transaction price. In cases where several contracts are combined or a contract contains several performance obligations, the amounts invoiced separately correspond to

the relative stand-alone selling prices. In a few cases where the invoicing does not match the corresponding stand-alone selling prices, accounting allocations and balance-sheet accruals are performed in accordance with the adjusted market assessment approach.

Operating expenses and interest income/expense are recognised in profit or loss when the service is utilised or when the expenses are incurred in economic terms.

In addition to country-specific ERP business for the property and energy supply industries, Aareon offers digital solutions – some of them internationally – in areas such as CRM (customer relationship management), WRM (workforce relationship management), SRM (supplier relationship management) and BRM (building relationship management). Aareon also has other products and services in its portfolio, such as the BauSecura insurance management solution and Aareon Cloud Services (hosting). Since 2021, these products have also been marketed in packages, i.e. an ERP product together with several digital solutions.

04 Notes to the statement of comprehensive income of the Aareon Group

04.1 Revenues

Revenues by business segment in € '000

	2021	2020
DACH	164,208	163,893
International Business	105,119	94,162
Total	269,327	258,055

Revenues by product group in € '000

	2021	2020
ERP products	199,650	197,415
Digital solutions	69,677	60,640
Total	269,327	258,055

Revenues by category in € '000

	2021	2020
Licensing revenues	18,983	21,217
Consulting revenues	58,607	63,887
Maintenance revenues	67,110	65,209
SaaS and fees	124,627	107,742
Total	269,327	258,055

Revenues were higher year on year in both the **DACH** and **International Business** segments, up € 315k and € 10,957k respectively. The International Business segment accounted for 39.0% of consolidated revenues (previous year: 36.5%). Growth in the International Business segment was driven in particular by the acquisitions made in the course of the year. **Licensing revenues** were slightly lower than the previous year despite growth in the SaaS business model. **Consulting revenues** were lower amid the Covid-19 pandemic and the subdued demand from many customers who were preparing to change over to the new product generation Wodis Yuneo. **ERP product** revenues were influenced in particular by increases in recurring revenues (**maintenance revenues, SaaS and fees**). In the **digital solutions** segment, penetration of the customer base with further digital solutions is progressing.

All revenue was from contracts with customers and reflects that portion of the total transaction price for which the performance obligation has been satisfied. In the reporting period, revenues in the amount of € 1,539k were recognised

for performance obligations satisfied (in full or in part) in earlier periods (changes in the transaction price).

04.2 Other income

Other income in € '000

	2021	2020
Non-cash income	1,569	1,599
Measurement of purchase price liabilities	1,286	1,863
Fair-value remeasurement gain from at equity to full consolidation	875	0
Income from insurance compensation	510	0
Research grants	385	185
Income from the reversal or reduction of individual impairment losses	349	122
Income from affiliated companies outside the Aareon Group	290	369
Other income	624	612
Total	5,888	4,750

See Note 5.16 for information on the effect on income from the adjustment of purchase price liabilities. The fair-value remeasurement gain from the consolidation of equity interests (step acquisitions) came to € 875k (see also Note 5.4).

04.3 Cost of materials

Cost of materials in € '000

	2021	2020
Software and hardware costs	3,840	3,855
Cost of services purchased	44,594	41,393
Total	48,434	45,248

In 2021, the cost of materials was € 3,186k higher year on year due to acquisitions.

04.4 Staff costs/employees

Staff costs in € '000		
	2021	2020
Salaries	132,770	117,463
Social security costs	27,942	25,195
of which: for post-employment benefits	4,889	4,537
Total	160,712	142,658

Staff costs increased by € 18,054k compared with the previous year, chiefly due to the addition of personnel at acquired companies and further planned recruitment to meet corporate growth.

On 31 December 2021, the number of employees at Aareon – excluding temporary staff, trainees and interns – was as follows:

Employees (excluding temporary staff, trainees and interns) – at year end		
	2021	2020
Employees	1,837	1,605
Executive managers	96	94
Total	1,933	1,699
of which: part-time employees	377	344

Employees (excluding temporary staff, trainees and interns) – annual average		
	2021	2020
Employees	1,735	1,561
Executive managers	97	90
Total	1,833	1,651
of which: part-time employees	356	345

Employees (excluding temporary staff, trainees and interns) – annual average by business segment		
	2021	2020
DACH	1,020	949
International Business	813	702
Total	1,833	1,651

04.5 Other expenses

Other expenses in € '000		
	2021	2020
Legal and consultation expenses/auditing costs	16,092	9,284
Software maintenance	3,748	2,539
Advertising/marketing/entertainment	2,823	2,067
Occupancy expenses	2,808	3,483
Other staff costs and temporary staff	2,485	2,632
Motor vehicle expenses	1,866	1,907
Communication costs	1,076	1,002
Travel expenses	1,027	1,843
Further training	899	694
Impairments of receivables	802	638
Technology costs	769	674
Other taxes	681	821
Insurance costs	553	498
Contributions and bank fees	518	550
Compensation for Supervisory Board and Advisory Board	229	121
Office material	220	194
Foreign-currency translation	207	322
Losses from the disposal of assets	171	101
Sundry other expenses	559	394
Total	37,533	29,766

Other expenses increased year on year, in particular due to higher consulting costs in connection with the Value Creation Program. Amid the Covid-19 pandemic, travel and advertising expenses declined further. All impairment losses stem from contracts with customers.

04.6 Financial income and financing expenses

Net financial income/expense in € '000		
	2021	2020
Financial income	78	116
of which: with affiliated companies	-36	-63
Financing expenses	6,554	1,339
of which: with affiliated companies	5,288	60
Total	-6,476	-1,223

Financial income and **financing expenses** comprise only interest components. Financing expenses included interest cost of € 1,159k for lease liabilities. Financing expenses at affiliated companies include interest on loans granted by Aareal Bank.

04.7 Income taxes

Income taxes in € '000		
	2021	2020
German income taxes	2,096	4,450
Foreign income taxes	4,175	3,563
Actual tax expense	6,271	8,013
Deferred income tax assets/liabilities	-646	1,422
Total	5,625	9,435

The following table shows the reconciliation statement for the differences between income taxes based on the net income before taxes and the actual income tax reported. In order to

calculate the expected tax expense, the Group tax rate of 31.7% applicable in fiscal 2021 (previous year: 31.7%) was multiplied by earnings before taxes.

Reconciliation of tax expenses in € '000

	2021	2020
Earnings before income taxes	5,019	27,293
Trade tax	753	4,094
Corporation tax	797	4,333
Solidarity surcharge	41	225
Expected tax expense	1,591	8,652
Reconciliation:		
Non-deductible expenses	3,858	640
Tax-free income	-330	-292
Taxes for prior years	57	133
Differences in tax rates of international subsidiaries	645	-175
Other differences	-196	477
Tax expense reported	5,625	9,435

In the reporting period, non-deductible expenses included interest expense that could not be recognised due to the tax interest barrier. Impairments of goodwill and corporate acquisition costs also remained non-deductible.

05 Notes to the consolidated balance sheet of the Aareon Group

05.1 Intangible assets

Goodwill mainly results from the acquisition of companies in the software industry. It is allocated to the cash generating units that derive benefit from the synergies created through the acquisition and on the basis of which management monitors goodwill for internal control purposes. The cash generating units are grouped together in the business segments.

Consolidated statement of changes in fixed assets 2021

as at 31 December 2021

€ '000	Historical cost							31 Dec. 2021
	1 Jan. 2021	Currency translation differences	Acquisitions through business combinations	Recognised in other comprehensive income	Additions	Disposals	Reclassification	
I. Intangible assets								
1. Goodwill	131,723	1,948	134,346	0	0	92	0	267,925
2. Acquired intangible assets	91,304	234	43,824	0	1,609	19,037	224	118,158
3. Internally generated intangible assets	76,451	363	0	0	22,765	20,059	-224	79,296
	299,478	2,545	178,170	0	24,374	39,188	0	465,379
II. Property, plant and equipment								
1. Land, leasehold rights and buildings	9,609	11	48	0	547	77	36	10,174
2. Plant and machinery	7,962	0	0	0	0	0	0	7,962
3. Other equipment, and office furniture/equipment	18,117	66	1,097	0	3,421	1,884	0	20,817
4. Prepayments made	39	0	0	0	38	1	-36	40
	35,727	77	1,145	0	4,006	1,962	0	38,993
III. Right-of-use assets								
1. Rights of use to land, leaseholds and buildings	60,815	71	1,506	0	5,362	1,430	0	66,324
2. Rights of use to other equipment, and office furniture/equipment	8,642	-1	86	0	2,411	2,194	0	8,944
	69,457	70	1,592	0	7,773	3,624	0	75,268
IV. Financial assets								
1. Investments in associates and joint ventures	308	0	15	0	1,877	1,506	888	1,582
2. Other investments	3,548	0	0	3,391	464	4,150	0	3,253
3. Other loans	10,812	1	79	0	87	2,986	-888	7,105
	14,668	1	94	3,391	2,428	8,642	0	11,940
	419,330	2,693	181,001	3,391	38,581	53,416	0	591,580

Accumulated depreciation/amortisation and impairments							Carrying amounts		
1 Jan. 2021	Currency translation differences	Acquisitions through business combinations	Additions: depreciation/amortisation	Additions: impairments	Disposals	Reclassification	31 Dec. 2021	31 Dec. 2021	31 Dec. 2020
33,553	60	0	0	3,092	92	0	36,613	231,312	98,170
54,137	472	49	6,910	0	19,037	0	42,531	75,627	37,167
38,352	-2	0	6,456	0	19,919	0	24,887	54,409	38,099
126,042	530	49	13,366	3,092	39,048	0	104,031	361,348	173,436
4,278	7	29	508	0	76	0	4,746	5,428	5,331
7,574	0	0	210	0	0	0	7,784	178	388
9,250	62	151	4,423	0	1,810	0	12,076	8,741	8,867
0	0	0	0	0	0	0	0	40	39
21,102	69	180	5,141	0	1,886	0	24,606	14,387	14,625
10,207	21	0	6,050	0	755	0	15,523	50,801	50,608
4,075	0	0	3,009	0	2,092	0	4,992	3,952	4,567
14,282	21	0	9,059	0	2,847	0	20,515	54,753	55,175
0	0	0	0	0	0	0	0	1,582	308
11	0	0	0	0	0	0	11	3,242	3,537
481	0	0	0	0	0	0	481	6,624	10,331
492	0	0	0	0	0	0	492	11,448	14,176
161,918	620	229	27,566	3,092	43,781	0	149,644	441,936	257,412

The amortised goodwill by business segment is as follows:

Carrying amounts in € '000	31 Dec. 2020	Exchange-rate effects	Additions	Impairments	31 Dec. 2021
DACH	48,299	0	57,593	0	105,892
International Business	49,871	1,889	76,753	3,093	125,420
SMB UK	0	1,764	52,407	0	54,171
Aareon Netherlands	22,979	0	24,345	0	47,324
Aareon France	11,557	0	0	93	11,465
Aareon Nordics	10,737	-196	0	3,000	7,541
Aareon UK	4,598	321	0	0	4,919
Total	98,170	1,889	134,346	3,093	231,312

See Note 3.1 for information on goodwill impairment at the CGU Nordics. Further, a goodwill impairment of € 93k was recognised for a business unit of the CGU France.

The item "Internally generated intangible assets" relates to internal and external development costs capitalised in accordance with IAS 38. The development costs in each subsidiary were capitalised using a standard per-diem rate that is updated every year. The capitalised carrying amounts are as follows:

Carrying amounts of internally generated intangible assets in € '000

	31 Dec. 2021	31 Dec. 2020
ERP solutions	41,615	28,614
Aareon Wodis Sigma/Wodis Yuneo	14,221	7,806
Aareon QL	9,681	5,693
Aareon Incit Xpand	5,957	4,568
Aareon Tobias/Aareon REMS	4,746	5,518
Aareon Portallmmo/Aareon Prem'Habitat	3,336	3,329
Aareon RELion	1,678	1,700
Arthur Online	1,157	0
Fund365	839	0
Digital solutions	12,794	9,485
CRM Solutions by Aareon	4,135	3,134
Smart Platform by Aareon	1,842	1,608
New products (including Smart Partner by Aareon, PrediMa by Aareon)	1,745	579
BRM Solutions by Aareon	1,627	665
WRM Solutions by Aareon	948	843
SRM Solutions by Aareon	923	720
Trace & Treasury by Aareon	695	855
Aareon Vacancy Management	440	514
Miscellaneous	439	567
Total	54,409	38,099

The increase in the carrying amounts for ERP and digital solutions (see Note 3.1) is primarily attributable to development of the new product generation Wodis Yuneo in the DACH segment and to the Aareon QL and Aareon Incit Xpand solutions in the UK and Sweden, respectively. The remaining amortisation period for these solutions amounts to:

Remaining amortisation period in years

Aareon Wodis Sigma/Wodis Yuneo	8.4
Aareon QL	5.9
Aareon Incit Xpand	4.1

Internally generated software in the amount of € 30,592k was completed in the reporting period, while internally generated software worth € 23,817k was still under development. Research and development costs for the update and maintenance of existing functions, and to create new functions and products totalled € 52,431k in the year under review. Internally generated assets amounted to € 14,244k. Retrospective estimates are applied when calculating the per-diem rate for capitalisation. Externally sourced services in the amount of € 8,521k were also capitalised.

Further, material additions in the year under review result from the customer relations acquired during the acquisition of Twinq (€ 9,405k) and GAP (€ 8,425k). In both cases, the future potential mostly reflects their ability to generate recurring revenues. Customer churn rates are generally low, with the result that customer relations are of a long-term nature. The residual useful lives of Twinq's customer relations are 24.3 years, while those of GAP are 19.8 years.

See the statement of changes in assets for further details of changes in intangible assets in the year under review.

05.2 Property, plant and equipment, right-of-use assets, and lease liabilities

Aareon leases, in particular, property and office furniture/equipment. A number of property leases contain extension options of up to ten years. In some cases, recognition of the leases was based on the assumption that the extension options were sufficiently certain, given that long-term lease periods were desirable.

Right-of-use assets by asset class in € '000

	2021	2020
Carrying amounts		
Real estate (rental of office space, parking spots)	50,801	50,608
Operating and business equipment (vehicle fleet, servers, etc.)	3,952	4,567
Amortisation in the reporting period		
Real estate (rental of office space, parking spots)	6,050	5,707
Operating and business equipment (vehicle fleet, servers, etc.)	3,009	3,102

Interest expense from lease liabilities came to € 1,159k. Total cash outflows for leases in the period under review amounted to € 10,159k as at the reporting date.

Leases recognised in profit or loss in € '000

	2021	2020
Current leases	460	492
Low-value leases	148	193

Leases that can be assigned to more than one of the categories in the above table are assigned to the higher category in each case. As all variable leases are both current and of low value, the resulting value is zero.

The following table shows the maturities of the lease liabilities.

Lease liabilities in € '000			
	2022	2023–2026	After 2026
Maturities of lease liabilities	8,495	24,105	29,105
Total	8,495	24,105	29,105

Aareon acts as lessor when renting out real estate. The company has one material rental agreement in place, which is classified as a finance lease. In the reporting period, the financial income from the net investment in the rental

agreement came to € 25k. Variable rents on office/business equipment in the amount of € 550k were not included in the measurement of finance leases where Aareon is the lessor. The minimum lease payments amount to € 485k in each of the next three years and to € 243k for the remaining lease period in the fourth year.

05.3 Financial assets

Financial assets comprise other loans and investments that are accounted for either using the equity method or at fair value. Some of these investments are recognised as equity instruments through other comprehensive income in accordance with IFRS 9.

Financial assets in € '000

	Interest held (%)		
	31 Dec. 2021	31 Dec. 2021	31 Dec. 2020
Time deposits		4,210	4,210
Cash deposit (guarantee for a lawsuit)		1,100	1,100
Rent deposits		1,311	1,210
Loans to associates		0	3,809
Other		3	3
Other loans (at amortised cost)		6,624	10,332
OFI Group GmbH (consolidated [100%] on 31 Dec. 2021; prior year: 35.84%)		0	307
Refurbio GmbH (associated company)	33.39	702	0
Ecaria GmbH (associated company)	35.87	869	0
ImmoProConsult GmbH (joint venture)	50.00	11	0
Investments in associates and joint ventures (accounted for using the equity method)		1,582	307
blackprint Booster Fonds GmbH & Co. KG	12.49	250	250
blackprint Booster Fonds International GmbH & Co. KG	49.88	420	420
Investments – debt instruments (FVTOCI)		670	670
OSRE B.V.	18.70	2,403	1,403
Immomio GmbH (sold in 2021; prior year: 14.54%)		0	1,295
MPC Best Select Company Plan GmbH & Co. KG, Germany	<20.00	169	169
Investments – debt instruments (FVTPL)		2,572	2,867
Financial assets		11,448	14,176

The time deposits relate to the guarantee issued to cover existing and future obligations in connection with membership in two supplementary pension funds. The increase in the carrying amount of the investment in an OSRE B.V. resulted from remeasurement of the fair value using the discounted cash flow method. The investment in Immomio GmbH was sold in the year under review. The gain of € 2,391k on the sale was recognised in OCI and then recycled to retained earnings. Remeasurement of the fair value of OSRE B.V. resulted in an adjustment of € 1,000k

in the carrying amount of the investment, which was recognised in OCI.

05.4 Information on associates and joint ventures

The following tables contain financial figures for the associates Refurbio GmbH and Ecaria GmbH, which were founded in 2020, and on OFI Group GmbH, which was consolidated in 2021 following purchase of the remaining shares in that company. The acquisition of GAP-Group resulted in the addition of the joint venture ImmoProConsult GmbH in 2021.

Associates and joint ventures in 2021 in € '000	ImmoPro- Consult GmbH 50.0%	Refurbio GmbH 33.39%	Ecaria GmbH 35.87%
Non-current assets	1	10	205
Receivables and other assets	36	0	2
Cash and cash equivalents	16	211	382
Liabilities	31	34	31
Net assets/equity	22	187	558
Capital contributions/ acquisitions by Aareon	15	902	993
Aareon's share in net profit for the year (cumulative)	-4	-200	-124
Carrying amount of (equity- accounted) investment in Aareon's consolidated financial statements	11	702	869
Income	427	172	192
Operating expenses	477	743	522
Net financial income/expense	0	-6	-6
Income taxes	-3	0	0
Net profit/loss for the year	-47	-577	-336
Aareon's share in net profit/ loss for the year	-4	-198	-121

Associates in 2020 in € '000	OFI Group GmbH 35.84%	Refurbio GmbH 18.40%	Ecaria GmbH 19.99%
Non-current assets	188	27	45
Receivables and other assets	34	12	9
Cash and cash equivalents	1,800	296	338
Liabilities	2,931	471	488
Net assets/equity	-909	-136	-96
Capital contributions/ acquisitions by Aareon	993	2	2
Aareon's share in net profit for the year (cumulative)	-686	-2	-2
Carrying amount of (equity- accounted) investment in Aareon's consolidated financial statements	307	0	0
Income	190	25	45
Operating expenses	1,390	167	149
Net financial income/expense	-106	-6	-4
Net profit/loss for the year	-1,306	-148	-108
Aareon's share in net profit/ loss for the year	-468	-2	-2

05.5 Shareholdings

Name and registered office of company	Interest held in % (2021)	Interest held in % (2020)
Aareon AG, Mainz		
Consolidated subsidiaries – DACH segment:		
Aareon Deutschland GmbH, Mainz, Germany	100	100
Aareon Planungs- und Bestandsentwicklungs GmbH, Mainz, Germany	100	100
Aareon RELion GmbH, Mainz, Germany	100	100
Alexander Quien Nova GmbH, Bremen, Germany	100	0
AV Management GmbH, Mainz, Germany	100	100
BauSecura Versicherungsmakler GmbH, Hamburg, Germany	51	51
CalCon Austria GmbH, Vienna, Austria	100	100
CalCon Deutschland GmbH, Munich, Germany	100	100
CalCROM S.R.L., Iasi, Romania	83.33	83.33
GAP Gesellschaft für Anwenderprogramme und Organisationsberatung mbH, Bremen, Germany	100	0
OFI Group GmbH, Frankfurt am Main, Germany	100	35.84
phi-Consulting GmbH, Bochum, Germany	100	100
wohnungshelden GmbH, Munich, Germany	100	0
Consolidated subsidiaries – International Business segment:		
Aareon Finland OY, Helsinki, Finland	100	100
Aareon France SAS, Meudon-la-Forêt, France	100	100
Aareon Holding France SAS, Meudon-la-Forêt, France	100	0
Aareon Nederland B.V., Emmen, Netherlands	100	100
Aareon Norge AS, Oslo, Norway	100	100
Aareon SMB Hub UK Ltd., Kenilworth, United Kingdom	100	0
Aareon Sverige AB, Mölndal, Sweden	100	100
Aareon UK Ltd., Kenilworth, United Kingdom	100	100
Arthur Online Ltd., London, United Kingdom	100	0
BriqVest B.V., Oosterhout, Netherlands	100	0
Curo Software Ltd., Warrenpoint, United Kingdom	100	0
FIRE B.V., Utrecht, Netherlands	60	60

Name and registered office of company	Interest held in % (2021)	Interest held in % (2020)
RentPro Ltd., Warrenpoint, United Kingdom	100	0
Tactile Ltd., London, United Kingdom	100	0
Twinq Facilitair B.V., Oosterhout, Netherlands	100	0
Twinq Holding B.V., Oosterhout, Netherlands	100	0
Twinq Uitwijk en Escrow B.V., Oosterhout, Netherlands	100	0
Twinq Verkoop en Service B.V., Oosterhout, Netherlands	100	0
Associates and joint ventures		
Ecaria GmbH, Berlin, Germany	35.87	19.99
ImmoProConsult GmbH, Leverkusen, Germany	50	0
Refurbio GmbH, Berlin, Germany	33.39	18.40

05.6 Deferred taxes

Deferred taxes in € '000	31 Dec. 2021	31 Dec. 2020
Pension provisions	5,582	6,417
Leases (right-of-use assets less lease liabilities)	2,151	1,502
Other provisions	115	652
Loss carryforwards	3,748	538
Miscellaneous	32	0
Total deferred income tax assets before netting	11,629	9,109
Non-current assets	7,037	-3,829
Miscellaneous	0	-78
Total deferred income tax assets after netting	4,592	5,202
Intangible assets	19,068	10,453
Miscellaneous	50	45
Total deferred income tax liabilities	19,118	10,498

Deferred income taxes on loss carryforwards are recognised based on the assumption that sufficient future profit will be available for offset. Unused tax loss carryforwards for which no deferred tax assets were recognised amounted to € 4,972k in Germany and € 3,870k abroad. These are utilisable to a limited extent only. Furthermore, the interest barrier rule restricts the amount of deductible interest in Germany. This resulted in non-deductible interest carried forward of € 3,171k. No deferred tax assets were recognised for this, as it is also deemed unlikely that these will be utilised in the foreseeable future. There are no restrictions on the utilisation of interest carried forward. Deferred income taxes on pension provisions in the amount of € 1,096k (previous year: € -788k) were recognised in OCI. All other deferred income taxes from changes in carrying amounts were recognised in profit or loss.

05.7 Contract assets and receivables due from customers

Contract assets and receivables due from customers in € '000		
	31 Dec. 2021	31. Dec. 2020
Contract assets (gross)	20,335	18,942
Impairment losses on contract assets	-381	-517
Contract assets	19,954	18,425
Trade receivables (gross)	30,491	34,383
Receivables from affiliated companies	721	1,080
Impairment losses on receivables from customers	-1,735	-1,977
Trade receivables	29,477	33,487

The portion of project performance obligations not yet satisfied amounts to € 6,786k, of which € 6,765k is likely to be realised in 2022 and € 21k in 2023 or thereafter. Aareon does not recognise the unsatisfied portion of performance obligations in connection with maintenance and SaaS contracts, as the customer's consideration corresponds to the performance delivered by Aareon. Contract assets are not subject to any significant changes – except for an acquisition-related increase in value.

Due to the short-term nature of the receivables, their carrying amount equals their fair value. There are no restrictions on ownership or disposal of the disclosed receivables. Impairment losses were recognised for the risk of default. See Note 3.4 for information on the risk of default. Contract assets and trade receivables were impaired as follows:

Impairment losses on contract assets in € '000		
	2021	2020
Impairments as at 1 January	517	343
Additions	0	221
Reversals	166	35
Exchange-rate effects	30	-12
Total as at 31 December	381	517

Impairment losses on receivables from customers in € '000		
	2021	2020
Impaired receivables from customers	7,251	7,124
Impairments as at 1 January	1,977	1,768
Changes in scope of consolidation	143	14
Additions	369	435
Reversals	200	126
Utilisation	562	104
Exchange-rate effects	8	-10
Total as at 31 December	1,735	1,977

05.8 Other assets

Other assets in € '000		
	31 Dec. 2021	31. Dec. 2020
Other current financial assets	1,325	1,679
Other current non-financial assets	5,233	5,813
Total	6,558	7,492

Other current non-financial assets mainly comprise deferred advance payments of € 5,035k for subsequent periods.

05.9 Cash and cash equivalents

As in the previous year, this balance sheet item includes cash in hand and balances held with banks.

Cash and cash equivalents in € '000		
	31 Dec. 2021	31. Dec. 2020
Cash in hand	13	15
Balances held with banks	32,535	50,370
of which: with affiliated companies	11,354	34,294
Funds with maturities of up to three months	32,548	50,385

As at 31 December 2021, there were loan liabilities of € 137,500k to Aareal Bank AG (see Note 6.2).

05.10 Subscribed capital

Aareon AG's subscribed capital is fully paid and, as at 31 December 2021, was as follows:

Number and class of shares in € '000	
25,048,418 no-par value ordinary shares	25,048

The increase of € 48k in subscribed capital to reach € 25,048k occurred in relation to the acquisition of Arthur Online Ltd. (see Note 2.4).

Each share has a theoretical par value of € 1. Shareholdings in Aareon AG have been as follows since 4 May 2021: 58.7% Aareal Bank AG, Wiesbaden, Germany; 25.1% AI Houses

(Luxembourg) S.à r.l., Luxembourg; 16% Houses 2021 MEP Beteiligungs GmbH, Wiesbaden, Germany; and 0.2% Houses Nominee Ltd., UK.

At Aareon AG's annual general meeting of 16 March 2021, it was decided to carry forward the unappropriated profit of € 11,247,174.06 as at 31 December 2020, to distribute € 0.00 to the shareholders and to transfer € 0.00 to retained earnings.

05.11 Share premium

The increase of € 1,614k in the share premium to reach € 43,514k occurred in connection with the purchase of Arthur Online Ltd. (see Note 2.4).

05.12 Accumulated Group earnings and profits

Accumulated Group earnings and profits comprise other retained earnings within the meaning of the disclosures required under German commercial law. Retained earnings include additions from the net profit of the year under review or of previous years as well as currency translation differences from the financial statements of subsidiaries recognised in other comprehensive income. Aareon AG's Memorandum and Articles of Association contain no provisions regarding the formation of reserves.

05.13 Non-controlling interests

Non-controlling interests are reported as a separate item in the consolidated statement of changes in equity. They are held by the other shareholders of: BauSecura Versicherungsmakler GmbH, Hamburg, Germany; FIRE B.V., Utrecht, Netherlands; and CalCROM S.R.L., Iasi, Romania.

05.14 Provisions for pensions and similar obligations

Trend in net defined benefit obligation in € '000	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
1. Balance as at 1 Jan. 2021	37,998	-285	37,713
2. Changes in scope of consolidation	556	-547	9
3. Net expense for the period			
a) Service cost	467	0	467
b) Interest cost	234	-1	233
4. Payments			
a) Pension benefits paid	-1,508	0	-1,508
b) Employer contributions	0	-17	-17
5. Remeasurement			
a) Due to experienced-based adjustments	-1,320	0	-1,320
b) Due to changes in financial assumptions	-2,165	0	-2,165
c) Difference between actual return and return calculated using the discount rate (plan assets)	0	0	0
Balance as at 31 Dec. 2021	34,262	-850	33,412
1. Balance as at 1 Jan. 2020	36,164	-266	35,898
2. Net expense for the period			
a) Service cost	416	0	416
b) Interest cost	331	-3	328
3. Payments			
a) Pension benefits paid	-1,580	0	-1,580
b) Employer contributions	0	-17	-17
4. Remeasurement			
a) Due to experienced-based adjustments	780	0	780
b) Due to changes in financial assumptions	1,887	0	1,887
c) Difference between actual return and return calculated using the discount rate (plan assets)	0	1	1
Balance as at 31 Dec. 2020	37,998	-285	37,713

The plan assets consist solely of reinsurance policies.

These obligations have been calculated on the basis of the following assumptions:

Assumptions in %	31 Dec. 2021	31. Dec. 2020
Interest rate	1.06	0.61
Expected inflation rate	1.75	1.75
Income trend	2.00	2.00
Pension trend	1.75	1.75
Fluctuation rate	3.00	3.00

Pension obligations were calculated in the reporting period using the Heubeck-Richttafeln 2018 G[®] biometric tables.

Changes in these assumptions would have the following consequences as regards the present value of the defined benefit obligations (DBO):

Sensitivity analysis 2021	Sensitivity	Obligation adjusted due to sensitivities, in € '000
Interest rate (1.06%)	1.00%	30,085
Interest rate (1.06%)	-1.00%	39,460
Pension trend (1.75%)	0.25%	35,250
Pension trend (1.75%)	-0.25%	33,288
Income trend (2.00%)	0.50%	35,248
Income trend (2.00%)	-0.50%	33,339
Life expectancy (Heubeck 2018 G)	+1 year	36,559
Life expectancy (Heubeck 2018 G)	-1 year	31,958

Sensitivity analysis 2020

	Sensitivity	Obligation adjusted due to sensitivities, in € '000
Interest rate (0.61%)	1.00%	33,096
Interest rate (0.61%)	-1.00%	44,164
Pension trend (1.75%)	0.25%	39,145
Pension trend (1.75%)	-0.25%	36,870
Income trend (2.00%)	0.50%	39,290
Income trend (2.00%)	-0.50%	36,782
Life expectancy (Heubeck 2018 G)	+1 year	40,636
Life expectancy (Heubeck 2018 G)	-1 year	35,376

The sensitivity analysis is based on changes in a single assumption, with all other assumptions remaining constant. It is unlikely that this would occur in reality, and there could indeed be a correlation between changes in certain assumptions. For this reason, in calculating the sensitivity of the defined benefit obligation to changes in actuarial assumptions, the same method was employed as is used to determine the pension provisions in the balance sheet (see Note 3.7). The types and methods of the assumptions used when preparing sensitivity analyses did not change compared with the previous period. No sensitivity analysis was carried out that factored in changes in the fluctuation rate or expected inflation rate because these rates do not represent material actuarial assumptions.

The defined benefit obligation can be broken down into the following plan participant categories:

Plan participants by category	31. Dec. 2021
Active employees	287
Former employees with vested benefits	27
Pensioners	143
Total	457

The effects on cash flow in subsequent years are as follows:

Maturities of the defined benefit obligation (DBO) in € '000

2022	1,555
2023	1,546
2024	1,529
2025	1,522
2026	1,598
2027–2031	8,155

Service and interest costs are recognised under staff costs. The expense recognised for defined contribution pension plans amounted to € 9,666k. It mainly comprised employer contributions to the statutory pension scheme. For reasons of materiality, pension provisions are not presented by maturity.

Aareon has pension plans in place in Germany and France. The pension plans of Aareon AG and Aareon Deutschland GmbH have been closed to new members. All of these plans are defined benefit plans within the meaning of IAS 19. This means that, subject to certain conditions, Aareon guarantees that the beneficiaries will receive a particular benefit amount. Depending on the plan type, the amount of employee benefits varies according to different factors such as eligible salary, period of service, amount of the statutory pension, and benefits paid under individual direct insurance plans.

05.15 Other provisions

Other provisions in € '000

	Balance as at 1 Jan. 2021	Change in scope of consolidation	Additions	Utilisation	Reversals	Balance as at 31 Dec. 2021
Variable salary components	12,237	743	11,858	10,461	134	14,243
Other provisions	4,122	609	3,088	1,543	93	6,183
Total	16,359	1,352	14,946	12,004	227	20,426

Other provisions mainly comprise uncertain obligations arising from employee overtime, termination payments and paid leave as well as from estimated contributions to employers' liability insurance associations and from impending losses. Other provisions are recognised in accordance with IAS 37 for all identifiable risks and uncertain obligations in the amount of their probable occurrence. The interest cost for non-current provisions amounted to € 42k in the reporting period.

The measurement of other provisions is subject to numerous imponderables and often requires management to make considerable estimates in relation to various influencing factors that may later turn out to be inaccurate. The actual final amount of the liabilities may differ from the measurements made during the accounting process. The outcome of individual lawsuits, for example, cannot be predicted with certainty.

If the obligation is not expected to arise in the short term (within 12 months), the provision is recognised at its present value.

Aareon AG makes payments to the members of its Management Board that qualify as cash-settled share-based payments within the meaning of IFRS 2 (see Note 6.3).

Other provisions by maturity:

Other provisions in € '000

	1 Jan. 2021	31 Dec. 2021	1 Jan. 2021	31 Dec. 2021
	<1 year		>1 year	
Variable salary components	11,689	13,748	548	495
Other provisions	3,219	5,261	903	922
Total	14,908	19,009	1,451	1,417

05.16 Purchase price liabilities

Contingent purchase price liabilities in € '000

	31 Dec. 2021	31 Dec. 2020
Non-current purchase price liabilities	4,220	1,975
wohnungshelden GmbH	3,515	0
CalCon companies	705	1,975
Current purchase price liabilities	3,630	276
wohnungshelden GmbH	2,669	0
Arthur Online Ltd.	685	0
CalCon companies	276	276
Total	7,850	2,251

Contingent purchase price liabilities developed as follows:

Purchase price liabilities in € '000						
	1 Jan. 2021	Additions	Adjustment	Payment	Interest cost	31 Dec. 2021
Non-current purchase price liabilities						
wohnungshelden GmbH	0	3,515	0	0	0	3,515
CalCon Group	1,975	0	-1,286	0	16	705
Current purchase price liabilities						
wohnungshelden GmbH	0	2,669	0	0	0	2,669
Arthur Online Ltd.	0	685	0	0	0	685
CalCon Group	276	0	0	0	0	276
Total	2,251	6,869	-1,286	0	16	7,850

05.17 Trade payables

All trade payables are classified as current. With the exception of customary retention of title and similar rights, liabilities are not collateralised.

05.18 Contract liabilities

Contract liabilities relate to deferred revenues and to projects in which the advance payments received exceed the value of the contract assets. As of 1 January 2021, contract liabilities amounted to € 19,888k, € 17,284k of which was recognised through profit or loss in the year under review. Contract liabilities are not subject to any significant changes – except for an acquisition-related increase in value.

05.19 Other liabilities

Other liabilities in € '000		
	31 Dec. 2021	31 Dec. 2020
Current other financial liabilities		
Paid-leave liabilities	4,182	3,537
Miscellaneous other financial liabilities	6,541	4,901
	10,723	8,438
Current other non-financial liabilities		
Tax liabilities	10,200	9,323
Miscellaneous other non-financial liabilities	727	558
	10,927	9,881
Total	21,650	18,319

The miscellaneous other financial liabilities mainly comprise liabilities in connection with wages and salaries. The other tax liabilities consist mainly of value-added tax and payroll tax liabilities.

06 Other explanatory notes

06.1 Other financial obligations

The nominal amounts of the other financial obligations can be broken down by maturity as follows:

Other financial obligations in € '000			
	2022	2023–2026	After 2026
Purchase commitments	20,065	4,443	120
Future leases	158	393	0
Total	20,223	4,836	120

Financial liabilities from purchase commitments mainly comprise supplier contracts received in connection with maintenance and hosting business under third-party licenses, € 3,720k of which will result from the acquisition of intangible assets in 2022.

06.2 Related-party transactions

In addition to the subsidiaries included in its consolidated financial statements, Aareon AG has, in the course of its ordinary activities, direct or indirect relations with subsidiaries of the Aareal Bank Group that are included in the latter's consolidated financial statements. A large part of Aareon AG's business relationships are with Aareal Bank.

These primarily relate to service provision and comprise the following:

- Collaboration with Aareal Bank with regard to the fully automated and integrated accounting and payment services for property companies in Germany as implemented in the software systems Wodis Sigma, SAP® solutions/ Blue Eagle and GES
- Provision of data centre services and related implementation services
- Purchase of IT equipment such as mobile phones and workstations

In addition, Aareon AG concluded a loan agreement with Aareal Bank AG on 20 April 2021 for a loan amount of over € 250,000k. The main purpose of this loan is to fund corporate acquisitions in the year under review and subsequent fiscal years. The loan runs for three years and includes two one-year extension options. It can be drawn down in various tranches and currencies on differing terms and conditions. All current tranches are denominated in euros and interest is payable based on the Euribor (0% floor) plus a margin of 4.95%. The liability of € 138,892k was recognised net of transaction costs, which comprised a non-recurring processing fee of 1.5% of the total loan amount. The net transaction fee amounted to € 2,813k as at 31 December 2021.

Furthermore, a provision fee of 1% is payable for amounts not utilised and a fee of 3.95% for the underutilisation of drawdown limits. Aareon AG must also demonstrate to Aareal Bank AG that it has complied with the covenant of a restricted indebtedness of ratio 2.7 and a total net leverage ratio in line with that of the Aareon Group. The total net leverage ratio is calculated by extrapolating the pro-forma adjusted EBITDA of the acquired companies to reflect 12 months of Group affiliation. Currently, the ratio must not exceed 4.0 (see Note 6.6).

In the reporting period, the business transactions with Aareal Bank AG and its subsidiaries (excluding those belonging to the Aareon Group) comprised revenues and other income in the amount of € 18,552k, interest expense of € 5,288k as well as cost of materials and other expenses in the amount of € 404k. As at the reporting date, Aareon had outstanding receivables of € 3,533k, loan liabilities of € 137,500k and other liabilities of € 1,482k in relation to Aareal Bank AG and its subsidiaries (excluding those belonging to the Aareon Group).

Loans totalling € 3,809k were made to equity-accounted companies in the prior year to assist them in establishing and expanding their businesses. Following consolidation of OFI Group, the loan of € 2,809k to that entity, plus interest accrued

in 2021, was eliminated through debt consolidation. The loans to Ecaria and Refurbio of € 450k each, including the interest accrued in 2021, were converted into equity in the year under review.

Related parties controlled by Aareon AG, or over which Aareon AG can exert a controlling influence, are included in the consolidated financial statements. They also appear in the list of shareholdings in Note 5.5, along with details of the equity interest held.

All transactions with related parties were conducted on the basis of international price comparison methods in accordance with IAS 24.

The Management Board of Aareon received compensation of € 4,867k in the year under review. The fair value of new stock options granted under the share-based payment plan was € 100k on the grant date. In the year under review, the members of the Supervisory Board did not receive any compensation.

In the Aareon Group, members of the Management Board and the Supervisory Board are defined as members of management in key positions.

The total compensation paid to members of the Management Board amounted to € 4,867k, and included contributions to defined contribution plans in the amount of € 88k. Total expense for share-based payments amounted to € 189k. All compensation is current, except for share-based payments in the amount of € 141k. In the year under review, the members of the Supervisory Board did not receive any compensation.

06.3 Share-based payment plans

The obligations arising out of these share-based payments are recognised as staff costs and via corresponding provisions. Claims to the phantom stocks of Aareal Bank are paid in

cash. The payments are distributed over three or five calendar years from the grant date. Provisions for share-based payment are recognised in full from the commitment date. The provisions are recognised in the amount of the fair value of the obligation in question at the reporting date and adjusted if the share price changes. Provisions for share-based payments (SAR) amounted to € 396k. At the end of the period under review, 10,166 shares were outstanding at an average price per share of € 28.36 (previous year: 14,970 shares; € 28.36). Of these outstanding shares, 583 (previous year: 9,207) were exercisable and 4,837 (previous year: 8,503) were granted. The exercise prices of the outstanding shares range between € 22.28 and € 39.10.

In the year under review, Aareal Bank set up a management equity programme (MEP) for Aareon together with Advent International and, in line with its share, transferred Aareon stock with a market value of € 6,000k to a management investment company. Individual members of Aareon's management also took stakes totalling € 2,436k in the management investment company, also at a market value. The remaining shares can be issued at a later date. If Aareon is sold, the programme results in a profit or loss for the participants in the form of Aareon shares (equity-settled), depending on how Aareon's value develops. Entitlements are earned quarterly over a period of five years. The break-even point is around 60% of the growth in value and is increased by a minimum interest rate of 12% p. a. Above the break-even point, management participates in the potential gain on the sale with a lever of 4.5. The programme is measured using the option price model, with an assumed term of over 5 five years and a historic volatility of around 30%. No expense was recognised for equity-based payments, as these were measured at market value.

06.4 Auditors' fees

In the reporting period, € 359k was recognised for auditing of the financial statements, € 0k for tax consultancy services and € 0k for other services.

06.5 Exemption for domestic group companies as per Section 264 (3) of the German Commercial Code (HGB)

Aareon Deutschland GmbH, Mainz, phi-Consulting GmbH, Bochum, and Aareon RELion GmbH, Augsburg, which are included in the consolidated financial statements of Aareon AG, have, with the approval granted by their respective general meetings of shareholders in accordance with Section 264 (3) of the German Commercial Code (HGB), been exempted from the obligation of preparing annual financial statements and a management report in compliance with the corresponding provisions for corporations.

06.6 Capital management

The goal of capital management is to finance Aareon's inorganic growth while simultaneously ensuring the Group remains a going concern that can generate returns for its shareholders and benefit for other stakeholders. The Group may adjust its capital structure by changing the amount of the dividend it pays, repaying capital, issuing new shares or selling assets in order to reduce debt. The Group monitors its capital on the basis of the loan agreement concluded with Aareal Bank AG (see Note 6.2). The total net leverage ratio as at 31 December 2021 was calculated as follows:

Total net leverage ratio	
	31 Dec. 2021
Adjusted EBITDA in € '000	66,756
Pro-forma adjustments in € '000	13,232
Total pro-forma adjusted EBITDA in € '000	79,988
Financing liability net of transaction costs in € '000	137,500
Current lease liabilities in € '000	8,495
Non-current lease liabilities in € '000	53,210
Cash and cash equivalents in € '000	-32,548
Total net debt in € '000	166,657
Total net leverage ratio	2.1

06.7 Events after the reporting date

Aareal Bank AG will provide Aareon with a further € 100,000 in 2022 to finance its inorganic growth. Once the loan agreement has been signed, the line of credit for acquisitions will total € 350,000.

07 Corporate bodies

07.1 Supervisory Board

Jochen Klösges, Chairman

since 16 December 2021

Chairman of the Management Board of
Aareal Bank AG, Wiesbaden

Thomas Ortmanns, Chairman

until 15 December 2021

Former member of the Management Board of
Aareal Bank AG, Wiesbaden

Marc Heß

Member of the Management Board of
Aareal Bank AG, Wiesbaden

Hermann J. Merkens

until 30 April 2021

Former Chairman of the Management Board of
Aareal Bank AG, Wiesbaden

Jeffrey Paduch

Managing Partner,
Advent International Corporation, London, UK

Arnd Zinnhardt

since 31 May 2021

Former member of the Management Board of
Software AG, Darmstadt

07.2 Management Board

Dr. Manfred Alflen

Chairman of the Management Board

Strategy; Group HR; Legal, Risk Management & Compliance; Data Protection & Data Security; Corporate Marketing & Communications; Corporate Affairs & Post-Merger Integration; Audit; Business Development; Transactions & Corporate Development

Dr. Imad Abdallah

Member of the Management Board

Group Digital Solutions; Ampolon; Group Enterprise Architecture; Digital Platform & Innovations Lab; Digital Product Strategy; Group Digital Development

Sabine Fischer

Member of the Management Board

Markets & Countries; Customer Satisfaction; Sales & Consulting; Development of Market Segments; BauSecura

Dr. André Rasquin

Member of the Management Board

ERP Systems; Outsourcing; Group IT Services; Group Application Management

Christian M. Schmahl

Member of the Management Board

Corporate Finance; Controlling; Accounting and Tax; Contract & Receivables Management; Financing; Procurement; Facility Management & Fleet Management

These consolidated financial statements were released for publication by the Management Board on 2 March 2022. The Management Board may change and republish these consolidated financial statements.

Mainz, 2 March 2022

The Management Board



Dr. Manfred Alflen



Dr. Imad Abdallah



Sabine Fischer



Dr. André Rasquin



Christian M. Schmahl

Independent Auditor's Report

To Aareon AG, Mainz

Opinions

We have audited the consolidated financial statements of Aareon AG, Mainz and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Aareon AG for the financial year from January 1, to December 31, 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1, to December 31, 2021, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Other information

The Management Board and/or the Supervisory Board are responsible for the other information.

The other information comprises the information in the annual report. The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and the Supervisory Board for the consolidated financial statements and the group management report

The Management Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Management Board is responsible for such internal control as it has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Management Board is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Management Board is responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or

error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design

and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Management Board and the reasonableness of estimates made by the Management Board and related disclosures.
- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management

report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the Management Board in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Management Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Frankfurt am Main, March 2, 2022

KPMG AG
 Wirtschaftsprüfungsgesellschaft

Winner
 Wirtschaftsprüfer
 [German Public Auditor]

Haider
 Wirtschaftsprüfer
 [German Public Auditor]

Report of the Supervisory Board

During the year under review, the Supervisory Board continually monitored the management of Aareon AG and the Aareon Group. It was kept informed by the Management Board, both verbally and in writing (especially through written quarterly reports) about the progress of business, the company's overall situation, the business policies planned by the Management Board, corporate planning issues, significant transactions and Aareon's internal control system. The Supervisory Board also dealt with issues that required its approval pursuant to applicable statutes or the company's Articles of Association.

The Supervisory Board met on five occasions, twice in the first half of the year and three times in the second. In addition, 12 resolutions were adopted by circular memorandum. At all of these meetings, the Management Board informed the Supervisory Board in detail of the business policies, economic progress, strategic orientation and sales activities of both the company and the Group, as well as of the effects of the Covid-19 pandemic and the measures adopted in connection with it. The Supervisory Board was informed in detail about the effects of the cyber-attack in France and the countermeasures taken immediately afterwards. The content and findings of the internal audits conducted at the Group companies were explained to the Supervisory Board. The risk reporting and internal control systems were also presented to it on a regular basis.

At its meeting on 16 March 2021, the Supervisory Board adopted new rules of procedure for both itself and for the Management Board of Aareon AG.

The Management Board kept the Supervisory Board informed about the Group companies' products and their customer-side implementation and launch, with emphasis being placed on major customer and acquisition projects. Particular points of focus in this regard were: the company's growth strategy, its strategic planning, potential acquisitions, the ERP product Wodis Sigma (including the new product generation Wodis Yuneo), enhancing business with other ERP solutions, the further expansion of Aareon Smart World and business trends for digital solutions, Aareon's range of consulting services, and the company's International Business segment, especially business trends in Scandinavia.

The Management Board discussed the company's international strategy with the Supervisory Board. The market environment, competitive situation, products, expected developments and growth potential of the Group companies were also dealt with. The Supervisory Board was given detailed updates on the status of the Aareon Flight Plan (the company's strategy programme) and conceptual amendments to it, and of the Value Creation Program. Among other things, it was informed about the growth strategy for digital solutions and the Value+ marketing project. Potential cost savings and synergies were also presented. The Management Board kept the Supervisory Board abreast of current M&A projects (including the six now completed) and of the plan for financing future acquisitions. The Supervisory Board approved this financing plan at its meeting on 16 March 2021. The Management Board further explained how the acquired companies would be integrated into the Aareon Group's

reports. The Supervisory Board was also given a presentation on the planned future structure of the Aareon Group.

The Supervisory Board discussed and approved the business plan. The Management Board regularly informed the Supervisory Board of the company's actual business performance compared with business-plan forecasts. The Supervisory Board has a Human Resources Committee and an Auditing Committee. Each of these committees met twice during 2021.

The Supervisory Board appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as the company's auditors. KPMG AG examined the annual financial statements and management report of Aareon AG as at 31 December 2021 (prepared in accordance with the German Commercial Code – HGB) as well as the consolidated financial statements and group management report as at the same date (prepared in accordance with IFRS). Based on the results of its audit, KPMG AG issued an unqualified auditor's report for both the annual and consolidated financial statements. On the basis of the annual financial statements prepared in accordance with the German Commercial Code, Aareon closed the fiscal year with an accumulated deficit of € 8,867,135.07, which will be carried forward.

On 14 March 2022, the Supervisory Board examined and discussed the company's annual financial statements and management report, the consolidated financial statements

compiled in accordance with IFRS and the Group management report for 2021 – all of which received an unqualified auditor's report – as well as the Management Board's proposal to carry forward the accumulated deficit. In preparation for their deliberations, the members of the Supervisory Board were provided in advance with comprehensive documentation, which they analysed thoroughly.

Representatives of KPMG AG were available to the Supervisory Board to answer questions and provide information. On the basis of the final results of its own review, the Supervisory Board agreed with the findings of the auditors. The Supervisory Board confirmed that it had no objections to raise and endorsed the respective financial statements and management reports of Aareon AG and the Aareon Group as prepared by the Management Board. The 2021 annual financial statements of Aareon AG were thus adopted and the consolidated financial statements of the Aareon Group approved.

The Supervisory Board reviewed the Management Board's proposal for the appropriation of profit and accepted that proposal on the basis of its review.

In addition, the Supervisory Board assessed the Management Board's report on the Company's relations with affiliates, which was prepared in accordance with Section 312 of the German Stock Corporation Act (AktG). No objections were raised. The auditors issued the following unqualified audit opinion with respect to this report:

“After carrying out our audit in compliance with our obligations, we hereby confirm that

1. the actual disclosures made in the report are accurate,
2. the consideration paid by the company for the transactions mentioned in the report was not inappropriately high or any disadvantages were compensated.”

Having completed its review, the Supervisory Board has no objections to raise to the report of the Management Board on the company’s relations with affiliates.

On 30 April 2021, Mr. Hermann J. Merkens stepped down both as Deputy Chairman of the Supervisory Board of Aareon AG and as a member of that corporate body. Mr. Thomas Ortmanns stepped down as Chairman and as a member of the Supervisory Board on 16 December 2021. The Supervisory Board would like to thank both men for their many years of valuable service and wishes them all the very best for the future.

At the extraordinary general meeting on 31 May 2021, Mr. Arnd Zinnhardt was elected as a new member of the Supervisory Board of Aareon AG. At the extraordinary general meeting on 16 December 2021, Mr. Jochen Klösge was appointed to the Supervisory Board of Aareon AG. At the subsequent constituent meeting of the Supervisory Board, Mr. Klösge was elected Chairman and Mr. Jeffrey Paduch Deputy Chairman.

The Supervisory Board was closely involved in filing the position of the company’s CEO and in the search for a suitable candidate. On 16 September 2021, a further Supervisory Board meeting took place at which Mr. Hartmut Thomsen was appointed to the Management Board of Aareon AG for a five-year term commencing 1 April 2022.

The Supervisory Board wishes its own new members and Mr. Thomsen every success in their new roles and looks forward to working together with them.

The Supervisory Board would also like to express its gratitude to the company’s employees for the commitment they have shown.

Mainz, March 2022

The Supervisory Board



Jochen Klösge
(Chair)

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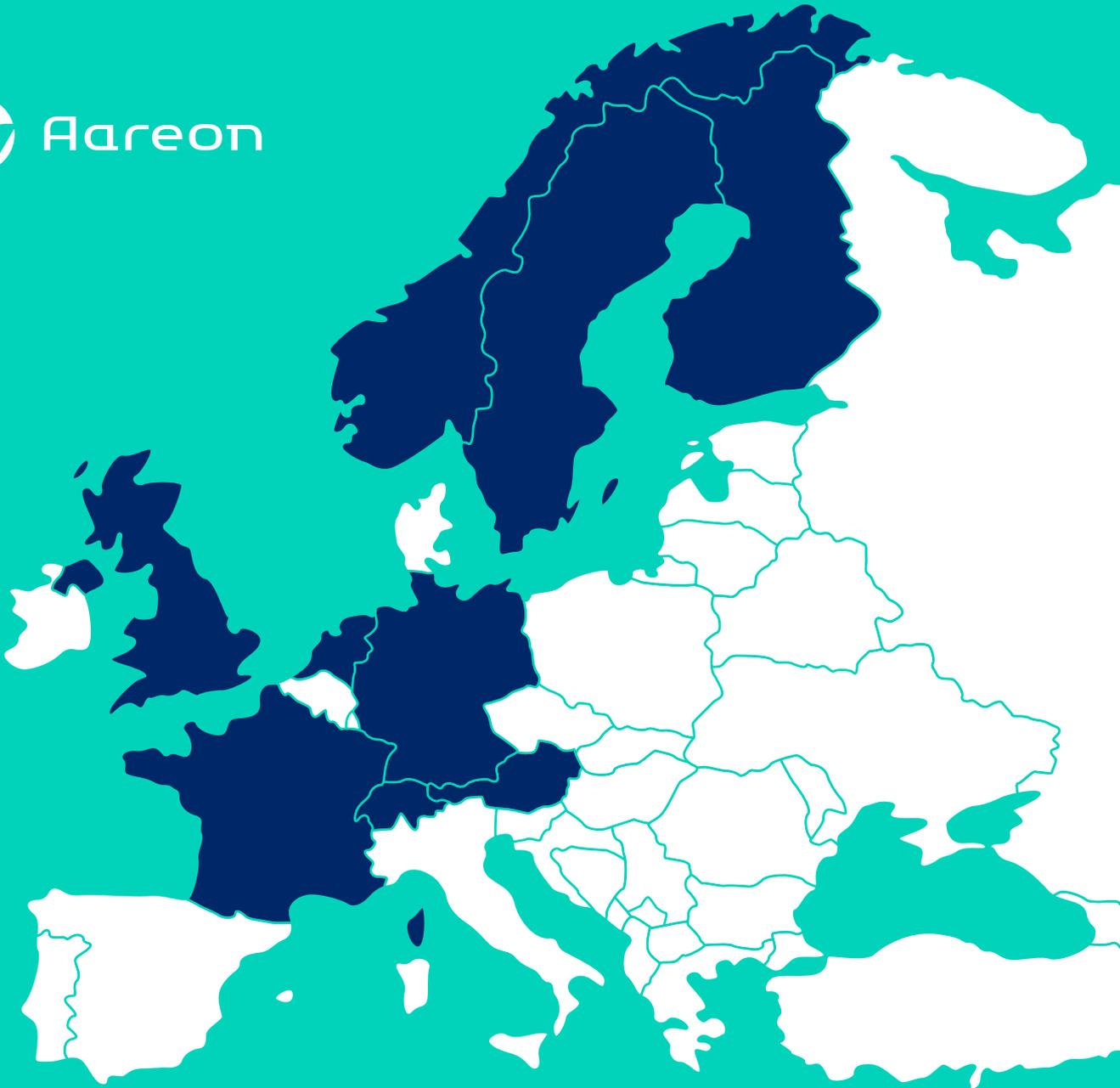
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The Aareon Group has an international presence with offices in the DACH region, Finland, France, the United Kingdom, the Netherlands, Norway and Sweden.

[!\[\]\(04ceb879ccd80492402b39dcfb8ea93a_img.jpg\) **Our locations**](#)